



U.S. Department of State FY 2001 Country Commercial Guide: Turkey

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CHAPTER I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Turkey's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

In 1999, Turkey saw three governments and two major earthquakes, which claimed the lives of over 18,000 and resulted in billions of dollars of damage, and experienced its worst economic contraction since World War II, with GNP down 6.4 percent to USD 187 billion. However, while the Turkish economy bent, it did not break. Relying on market forces, export-led development, integration with the world economy and privatization, Turkey's annual growth rates over the past decade remain among the highest of any OECD country. The latest Government of Turkey (GOT), the 57th, has already begun to tackle long-standing macroeconomic imbalances -- large public sector deficits and resulting high inflation -- and has introduced an IMF-backed three-year disinflation program to resolve its fundamental fiscal problems. Much more remains to be done, but the willingness to reform shown by the current government marks a potential turning point in improvement of export and investment conditions for U.S. businesses. Standard and Poor upgraded Turkey's credit rating to B-plus in April 2000. In November 1999, Moody's revised its Turkey outlook to "positive," but retained its B1 rating (in place since March 1997). If the GOT disinflation program stays on track, further upgrades before year-end is likely.

During 2000, privatization will be key, as GOT projects earnings of 7-8 USD billion from two GSM license sales and partial privatization of Turk Telekom, Turkish Airlines (THY), oil refiner TUPRAS, gas station chain Petrol Ofisi, and other major sales. Given significant private investment also expected in Turkey's energy sector, best prospects sectors for U.S. exporters are power generation, oil and gas pipelines and telecommunications equipment and services. Other best prospects include franchising; defense industry equipment; building products; automotive parts and services equipment; medical equipment; pollution control equipment; and, architectural / construction / engineering services.

The private sector remains the powerful engine of Turkish economic growth, contributing to an "unregistered" economy, which increases the GNP by up to 50 percent. Turkey has begun both to respond to import competition and take advantage of European markets (Turkey joined the European Customs Union on January 1, 1996.) and those in the Middle East, Black Sea, Caucasus, Central Asia and Russia. During their visits to Turkey, both

U.S. Secretary of Commerce Daley and President Clinton recognized Turkey's importance as a regional hub. Secretary Daley remarked, "Due to its location at the crossroads of the trading routes of Europe and Asia, where east meets west, Turkey can become a gateway to the Newly Independent States in the Caucasus and Central Asia." President Clinton also emphasized that Turkey, at the crossroads of Europe, Middle East, Central Asia, would play a critical role in shaping the 21st century. Turkish firms remain active in Russia, the Caucasus, Central Asia and the Middle East and can serve as excellent partners for U.S. firms to investigate distribution and investment opportunities throughout the region. Our Commercial Service offices in Ankara, Istanbul and Izmir, together with the U.S. Consulate in Adana, work hand-in-hand with the TDA/OPIC/EXIM team at the Ankara-based Caspian Finance Center and other posts in the region to identify project and financing opportunities throughout Turkey, the Caucasus and Central Asia. We stand ready to help.

After reading this report, we suggest you contact our office or visit our website at www.csturkey.com to learn about the whole range of Commercial Service products to help American exporters and investors succeed in the Turkish market. This country's dynamic private sector, young population of nearly 66 million consumers, regional connections, and massive infrastructure requirements are what rank Turkey among the world's ten most important, "Big Emerging Markets (BEMs)."

Further information about the European market can be found at www.sce.doc.gov a comprehensive source for a wide range of market research and business counseling information, which is designed for U.S. exporters exploring the markets in Europe, Russia and Newly Independent States. Country Commercial Guides are available on the National Trade Data Bank on CD-ROM, or via the World Wide Web at www.usatrade.com. They can also be ordered as a hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. Exporters seeking general export information/assistance and country-specific commercial information should contact their Export Assistance Center or the U.S. Department of Commerce, Trade Information Center, by telephone at 1-800-USA-TRADE or by fax at (202) 482-4473.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Since the mid-1980's Turkey's economy has moved strongly away from the statist principles on which the Republic was founded, unleashing Turkey's dynamic private sector as the engine of economic development. The country's economic turnaround continues to rely on market forces, export-led development, integration with the world economy, and privatization. Average annual growth rates over the past decade have been among the highest of any OECD country.

The pace of reform picked up in the late summer of 1999 after a dozen years of stagnation.

Although the state sector continues to represent almost a quarter of GDP, the Government of Turkey (GOT) has liberalized the trade regime and capital markets and granted foreign investors access to international arbitration in contracts related to concessionary projects.

The GOT has also begun to tackle long-standing macroeconomic imbalances -- large public sector deficits and resulting high inflation. It has introduced an IMF-backed three-year disinflation program to resolve its fundamental fiscal problems. This program has three pillars, the first of which is fiscal discipline and fiscal structural adjustment under a consolidated government sector accounting system. Second is an inflation-targeted monetary policy and exchange-rate regime with a pre-announced exit strategy to a widening band in July 2001 and, as of 2003, a free float. Third is continued structural reform. Steps taken to date include the first stage of reform of the deficit-ridden social security system, banking regulatory reform, initial measures to improve efficiency of tax administration, a revival of large-scale privatizations, and a move to market-based reform of the energy and telecommunications sectors. Much more remains to be done, e.g., thorough reform of the agricultural sector and consolidation of the banking sector, but the impulse to reform shown by the current government marks a potential turning point in improvement of export and investment conditions for U.S. businesses.

Economic Growth: A short but sharp recession in 1994, brought on by GOT miscalculations, caused a 6 percent fall in Gross National Product (GNP), bringing to an end 13 straight years of growth. The economy rebounded with GNP up 8.1 percent in 1995, 7.9 percent in 1996 and 8.3 percent in 1997. However, the impact of the Asian and Russian financial crises and constraints of an IMF Staff Monitored Program resulted in a slowdown of economic activity during 1998. GNP grew only 3.8 percent to USD 204 billion (although the presence of a large unregistered economy means that the actual GNP is as much as 50 percent larger). In 1999, Turkey saw three different governments, suffered two major earthquakes, and experienced its worst economic contraction since World War II, with GNP down 6.4 percent, to USD 187 billion. The government's target for 2000 is 5.5 percent real GNP growth.

Agriculture accounted for approximately 14.9 percent of GNP in 1999, a 4.6 percent fall. Industry, responsible for 23 percent of GNP, constricted 5 percent during the year, principally due to a sharp fall in manufacturing output. Services accounted for 52.3 percent of GNP. Overall, the service sector percentage of GNP fell 19.2 percent, with rates ranging from a high of 5.3 percent for financial institutions to a low of -12.7 percent for construction services.

Consumption and Investment: Private consumption, which accounted for 72.2 percent of gross domestic product (GDP) in 1999, fell 3.1 percent in real terms. GOT consumption, accounting for 15.2 percent of GDP, rose only 0.6 percent in 1999.

Gross fixed capital formation, accounting for 21.8 percent of GDP, shrank 16.0 percent during 1999. Private sector investment accounted for 72 percent of all investment and was

concentrated in housing (53.8 percent), and manufacturing (46.2 percent). Public sector investment was mainly in transport and communications (45.5 percent) and energy (48 percent).

Inflation, Wages, and Monetary Policy: Turkey's principal economic problem remains inflation, fueled primarily by large public sector deficits. Annual consumer price inflation averaged 78 percent from 1988-1998; wholesale price inflation averaged 73.4 percent.

The year-on-year increase in consumer prices at the end of 1999 was 68.8 percent, a slight improvement over the 69.7 percent recorded at the end of 1998. Owing to front-loading of administered-price increases at the end of 1999, wholesale inflation rose to 62.9 percent in 1999 from 54.3 percent at year-end 1998. Under its disinflation program, the government seeks year-end 2000 targets of 20 percent for wholesale price inflation and 25 percent for retail price inflation. Markets predict a 35–40% year-end inflation for 2000.

In addition to chronic high budget deficits, substantial dollarization of the Turkish economy has limited the ability of the Central Bank to ensure price stability and thus control inflation. However, the Bank continues to keep tight control, as much as is possible, of base money (Turkish base liquidity) by targeting net domestic assets (NDA) as part of its inflation-targeted exchange rate policy. The Bank has set a monthly devaluation target against a U.S. dollar/Euro basket of currencies through June 2001. As of July 2001, the Bank will allow the Turkish lira to float in an ever-widening band around central parity, beginning with a 7.5 percent band and moving to a 22.5 percent band for the second half of 2002. The Bank aims to float the lira freely as of January 2003. The Bank has preserved a solid foreign reserve position through the first half of 2000, with convertible currency reserves at USD 23 billion. More information is available at the Turkish Central Bank's web site: www.tcmb.com.tr.

PRINCIPAL GROWTH SECTORS

Energy: Turkey's primary energy consumption was 79 million tons of oil equivalent (MTOE) in 1999. The GOT estimates that primary energy consumption will increase to 180 MTOE in 2010 and 319 MTOE by 2020. In 1999, imported energy met 60 percent of the primary energy consumption. It is expected to meet 67 percent of the primary energy consumption in 2000, 71 percent in 2010, and 75 percent by 2020, driving Turkey's requirements for additional imports of natural gas, oil, and coal.

Electrical energy demand in Turkey is also growing rapidly. The GOT estimates that electricity consumption will be 130 billion kWh in 2000, 290 billion kWh in 2010, and 547 billion kWh by 2020. Consequently, Turkey will require approximately USD 4 billion in annual investment to increase its current installed power generation capacity of 27,000 megawatts to 87,000 MW, which the Government predicts it will need by 2020. To obtain this goal, the Government encourages Turkish and foreign private sector investments in the power generation and distribution sector and intends to pass electricity market legislation to

establish an independent regulatory body to govern power generation, transmission, and distribution.

Telecommunications: Turkey currently has more than 19 million telephone lines with a density exceeding 25 percent. To meet growing demand, Turkey plans to install an additional 2 million lines by year-end 2000 and an addition 2-2.5 million additional lines per year to reach the target of 40 percent density by 2005. While the state-owned Turk Telekom is the monopoly provider of basic services, during 1998, the GOT sold two licenses for the provision of cellular service to private GSM operators. The GOT auctioned a third GSM license in April 2000 for USD 2.525 billion and the contract is currently awaiting government approval. Under the regulations governing the sale of the third and fourth GSM licenses, the price of the third license was to have set the entry price for an open forum auction of the fourth license and the price for the sale of a fifth license to state-owned Turk Telekom. However, on April 17, all consortia withdrew from competition for the fourth license and plans to auction this license are consequently on hold. Turk Telekom, however, is expected to purchase shortly a license for USD 2.525 billion.

Cellular density is approximately 15 percent and is expected to grow rapidly in the coming years. The market is expected to reach over 5.5 million subscribers by year-end 2000 and 12 million by 2005 (17 percent density), and reach a cellular density of 30 percent by 2010. The private sector provides other value-added services, including VSAT (very small aperture terminal), paging, internet access, and cable TV.

The GOT plans to privatize 20 percent of Turk Telekom in a block sale to a strategic investor. Another 19 percent will be privatized through international and local public offerings. Although Turk Telekom, Inc. (TTAS) provides basic fixed line voice telephony, a new telecom law passed by the Parliament on January 29, 2000 specifically liberalizes voice telephony starting January 1, 2004. Potential opportunities in telecommunication services include the fifth GSM cellular license at 1800 MHz or third generation GSM (3G) cellular licenses to operate under the UMTS technology. Some Turkish companies are already looking for partners for the latter.

Environment: With the establishment of a Ministry of Environment in 1991, environmental issues have taken on increased prominence in the market. New regulations regarding sewage, medical waste and power plant emissions, among others, will add to the growth of this sector. All new plants, as a part of their approval process, must submit an Environmental Impact Assessment to the Ministry of the Environment and obtain approvals before starting construction. Municipal governments, nation-wide, are also implementing environmental projects to treat sewage and solid waste. Although financing these projects may be difficult, the need for modern equipment in these fields will present significant opportunities in the coming years. As Turkey pursues EU membership, it will have to make significant new investments in water treatment, solid and liquid waste treatment, and air pollution control to meet EU standards.

Transport: The GOT gives special priority to major infrastructure projects, especially in the transport sector. The government is planning the construction of new airports, highways, and ports. Currently, the State Planning Organization (SPO) is preparing a new Turkish Ports Master Plan, which will be finalized soon. However, the GOT will realize the majority of these projects by utilizing the build-operate-transfer (BOT) or build-operate (BO) models.

Information Technology: Internet usage is growing, with Internet banking taking the lead. Wireless Application Protocol technology (WAP) is being introduced in mobile telephony. However, Turkey suffers from a lack of gateways, and modem speeds in practice are slow. International telephone tariffs remain comparatively high, inhibiting growth in international telephonic communications necessary for sustained, export-oriented economic growth.

Textiles: The textile sector is Turkey's largest manufacturing industry and its largest export sector. Turkey's textile producers are generally very modern and highly competitive. The removal of quotas on exports to the EU under the Customs Union Agreement improved growth prospects, as will the global phase-out by 2005 of textile quotas called for in the Uruguay Round. This should lead to good prospects for American suppliers of textile machinery and spare parts of all kinds.

Other principal growth sectors are defense equipment, tourism infrastructure, building products, automobile spare parts and service equipment, and electronics.

GOVERNMENT ROLE IN THE ECONOMY

Today, Turkey's private sector dominates economic production and is the engine of growth. Reinvigorated economic reform, including privatization, is reducing the State's share of the economy, although the GOT, in the form of State Economic Enterprises, continues to control directly a significant share of economic activity, especially in telecommunications, energy, iron and steel, and transportation. The GOT also remains an important factor given bureaucratic "red tape" requirements, as well as uneven and weak regulation enforcement.

Persistent government budget deficits combined with a lack of market confidence forced the GOT to borrow domestically for the short term and at high cost from 1997-1999. Real interest rates and inflation therefore remained high throughout 1999. We expect that with the introduction the GOT's IMF-supported disinflation program, these rates will decline.

Continued structural economic reform, combined with both more effective GOT regulation and a streamlined public sector, are widely seen as paramount to remedying Turkey's fundamental economic problems. Privatization is key. In 2000, the GOT projects earnings of 7-8 USD billion from two GSM license sales and partial privatization of Turk Telekom, Turkish Airlines (THY), oil refiner TUPRAS, gas station chain Petrol Ofisi, and other major sales. Significantly higher than expected responses to the GSM license auction and the TUPRAS public stock offering make reaching the 2000 goal a distinct possibility.

BALANCE OF PAYMENTS SITUATION

Trade: Imports in 1999 fell 11.4 percent to USD 40.7 billion while exports fell 1.4 percent to USD 26.6 billion resulting in a USD 14.1 billion trade deficit, 25.6 percent lower than in 1998.

These figures do not include the so-called "suitcase trade", goods purchased in Turkey by visitors from Russia, other Black Sea littoral states, Eastern Europe and North Africa specifically for resale in home countries. The Central Bank estimates that suitcase trade exports dropped by more than 39 percent in 1999 to USD 2.3 billion.

At this stage of its development, Turkey would normally expect a current account deficit of 1.5 to 3 percent of GNP. However, in 1999 the deficit was 0.7 percent of GNP, reflecting a continuing slump in the Turkish economy. Forecasters expect the current account deficit to increase to 2.5 - 3.5 percent of GNP in 2000 given higher oil prices and a need for imported raw materials, semi-finished and capital goods to supply Turkey's economic recovery. A deficit as high as 3.5 percent of GNP should be financeable from the capital account.

In 1999, semi-manufactured products accounted for 54 percent of total imports, consumer goods for 44 percent and raw materials for 12 percent. The most important import sectors were machinery, electrical equipment, motor vehicles, iron and steel, and crude oil. Turkey's largest source of imports was Germany, which supplied 14.5 percent of total imports, followed by Italy, Russia, France, the United States (USD 3.1 billion in imports, representing 7.6 percent of the total), and Great Britain. Exports of goods and services should recover in the coming years with accelerating global activity, including reinvigorated suitcase trade with Russia, and a recovery in tourism. However, export market share losses and stronger import penetration are projected given real exchange rate appreciation expected to result from the on-going disinflation program.

Consumer goods made up 52 percent of Turkey's exports in 1999, while semi-manufactured products accounted for 41 percent. The largest export sector was apparel and textiles, followed by iron and steel, electrical machinery, and fruits and vegetables. Excluding the suitcase trade, Turkey's main export markets were Germany, which took 20.6 percent of total exports, the United States (USD 2.4 billion, representing 9.2 percent of the total), Great Britain, Italy, and Russia.

Foreign Debt: As of year-end 1999, Turkey's total outstanding external debt amounted to USD 111.2 billion. Of this total, about 26.3 percent was short-term, and the remainder medium and long-term debt. Nearly fifty-five percent of Turkey's foreign debt is denominated in dollars, 37.5 percent in Euros, and 7.6 percent in yen. Debt service payments in 1999, including those made by the private sector, amounted to USD 18.3 billion. Payments in 2000 are expected to total approximately USD 24.8 billion.

Foreign Exchange Policy: The Turkish Lira (TL) has been fully convertible since 1990. From 1994 until the end of 1999, the Central Bank's stated policy was to allow the TL to depreciate (against a trade-weighted basket of the dollar and Euro) at, or slightly below, the expected inflation rate for the month ahead. Under the three-year disinflation program, the TL is depreciating on an inflation-targeted path with a one-year moving horizon. From July 2001 until year-end 2002, the TL will float in an ever-widening band. After January 2003, the TL is expected to float freely.

International Economic Relations: On January 1, 1996, the EU and Turkey entered into a customs union, based on a commitment made between the two parties in 1973. The agreement covers industrial products and processed agricultural goods, and includes transitional protection for a short list of sensitive items. Turkey has also adopted the EU's Common External Tariff, resulting in lower duty rates for third countries, like the United States. Under the terms of the agreement, Turkey has harmonized most of its commercial laws and regulations with the EU.

Turkey is a member of the World Trade Organization (WTO). It signed a free trade agreement with the European Free Trade Association (EFTA) in 1991, and has free trade agreements in place with Israel and most Central and Eastern European countries. In 1992 Turkey and ten other regional nations formed the Black Sea Economic Cooperation Organization, but this organization has had a limited impact on trade and business. Turkey is also a founding member of the ECO, the Economic Cooperation Organization. In 1999, Turkey became a member of the Group of 20 (G-20) forum of finance ministers and central bank governors from "systematically important" countries from around the world.

Due to its proximity, as well as linguistic and ethnic ties, Turkey has continued to develop links to many of the Central Asian and Caucasus states. The GOT encourages the establishment of joint ventures between Turkish and foreign firms to further tap the potential of the emerging Central Asian markets.

INFRASTRUCTURE

Airports: Major international gateway cities are Istanbul (Ataturk International Airport), Izmir (Adnan Menderes Airport), and Ankara (Esenboga Airport). However, airports open to international air traffic also include, but are not limited to, Nevsehir, Adana, Trabzon, Isparta (Suleyman Demirel Airport), Antalya, Dalaman, and Milas-Bodrum. Ataturk International Airport is the main gateway to the country for overseas flights and the central point of connection to the country's extensive domestic network. A new international passenger terminal in Istanbul, built under a build-operate-transfer (BOT) arrangement, began operations in January 2000. With a capacity of 14 million passengers per year and an area of 186,000 sq. meters, the new terminal is three times larger than its predecessor and is one of the largest in Europe. With 18 boarding bridges and another 12 gates, the terminal can handle 30 simultaneous arrivals and departures.

Throughout Turkey, there are 37 airports, 22 of which are open to international traffic. A new airport located on Istanbul's Asian side is under construction, which will primarily service cargo and flights to Russia. Turkish Airlines (THY) and several private firms operate extensively on domestic lines. Major international airlines serving Turkey include Delta, Air France, Austrian Airways, Alitalia, British Airways, KLM, Lufthansa, Olympic Airways, Singapore Airlines, and Swissair. At the end of 1999, American Airlines and THY announced their intention to cooperate in a number of markets.

The United States and the GOT signed an "open skies" aviation agreement in May 2000 which will gradually expand opportunities for American carriers to serve Turkey over a three year transition period leading to completely access in 2003.

Ports: Shipping plays a major role in the Turkish economy and a number of large ports dot the country's 8,300-kilometer coastline. Along Turkey's 1,100-kilometer Black Sea coast lie the ports of Hopa, Rize, Trabzon, Giresun, Samsun, Sinop, Zonguldak, Bartin, and Karadeniz Ereğli. Black Sea ports handle mainly export cargo of steel products, tea and hazelnuts and import cargo of coal, iron ore, raw minerals, fertilizers and bulk construction materials.

The area along the Marmara Sea is one of Turkey's industrial powerhouses and home to about one quarter of the country's population. It encompasses both the Bosphorus and the Dardanelles Straits, the only passage between the Mediterranean and the Black Sea. This is one of the busiest maritime routes in the world with an annual average of 12,000 transit passages.

The main Marmara ports are Bandırma, Mudanya, Canakkale and Gemlik. However, these ports are dwarfed by Istanbul, with its four ports. The oldest port in Istanbul is Haydarpasa which is owned by the Directorate General of Turkish Railways (TCDD) and specializes in container operations. Sali Pazari is reserved for cruise ships while the port of Ambarlı is a new development made up of five private operations. Construction on Zeytinburnu is proceeding and this facility will handle smaller vessels upon its completion.

The region around the Gulf of İzmit is the country's industrial heartland and its ports play an important economic role. There are seven public ports and berths, as well as 17 private berths, handling a combined annual average of 30 million tons of cargo. Cargo is mostly in the form of raw industrial inputs, semi-finished materials, chemicals, steel, and petroleum.

The ports on the Aegean Sea coast include İzmir, Kicilik, Göcek, and Nemrut. Furthermore, the port of Kuşadası is the main port for the sizeable cruise line traffic in the region.

Turkey's main Mediterranean ports are Iskenderun, Yumurtalık, Mersin and Antalya. About 75 percent of the country's steel exports transit through Iskenderun. The largest Mediterranean port is Mersin, which acts as the export hub for southeast Anatolia's

products and is one of the main ports in the eastern Mediterranean. Yumurtalik (through Ceyhan) serves the Iraqi oil pipeline. Antalya has a large modern cold storage facility (10,000 tons) and handles both domestic and international cargo traffic.

The major new port developments under way include Candarli (North Aegean), the Derince Container Terminal, Filyos (40 kilometers from Zonguldak), Tekirdag, Mersin, and Kumport (Yakuplu, Istanbul).

Railways: Of Turkey's approximately 10,508 kilometers of railways, 8,824 kilometers are electrified. Diesel locomotives power most trains in the Turkish rail system. The aging system badly needs renovation. However, funding for railway projects has been scarce, largely because the sector lacks strong political support. The Directorate General of Turkish Railways (TCDD) has embarked an ambitious series of line building and modernization projects aimed largely at upgrading the Ankara-Istanbul line and boosting cargo-hauling capacity. The latter includes plans to construct over 2,000 kilometers of railway by 2001. As part of the GOT's 8th 5-year plan, for the period 2001-2005, TCDD plans to implement the Kars (Turkey) – Tbilisi (Georgia) rail project.

Highways: While Turkey's road network is extensive, there are 1,726 kilometers of motorways, some of which are operated as toll roads. Additionally, there are 311,345 kilometers of state highways and 29,540 kilometers of provincial roads. Since 1996, the GOT has awarded USD 5 billion worth of motorway contracts in four packages. However, planned motorway construction was postponed during the economic crisis in 1998 and 1999. In addition, the earthquakes of August and November 1999 affected the road network in Turkey's industrial heartland. While repairs were completed by the end of the year, the GOT-funded organization responsible for Turkey's main roads delayed some other construction programs throughout the country.

The number of road projects is expected to increase in 2000 due to World Bank and IMF funds directed at infrastructure projects. The GOT also plans to expand build-operate-transfer (BOT) opportunities in motorway construction sector.

Turkey's third city, Izmir, is the hub of north-south and eastward motorways while some sections still have to be completed on the southern network, connecting Adana, Ceyhan, Mersin and Iskenderun. Another motorway from Samsun, on the Black Sea coast, to the Georgian border is also in the planning stage.

Courier Services: Major international courier firms operating in Turkey include DHL, Federal Express, TNT, UPS, and Air Express International.

CHAPTER III: POLITICAL ENVIRONMENT

NATURE OF THE RELATIONSHIP WITH THE UNITED STATES

Speaking before the Turkish parliament during his visit in November 1999, President Clinton confirmed Turkey to be a vital strategic partner. "Our relationship is not simply as important as it was when we confronted the Soviet Union. It is more important," he said.

Located at the hub of a region characterized by instability, Turkey is a key US ally involved in the web of military and economic organizations constituting today's US-European security architecture. Turkey's policies and actions affect the resolution-or explosion-of a host of simmering regional conflicts:

- Cyprus, where the US strongly supports UN efforts to reach a settlement.
- The Aegean, where NATO allies Greece and Turkey have narrowly averted war twice, but where recent trends are positive.
- Iraq, where Turkey is our partner in Operation Northern Watch's air mission to enforce a no-fly zone and protect the population of Northern Iraq.
- The Caucasus, where Turkey shares our commitment to a peaceful, prosperous, and Euro-Atlantic community-oriented region.
- The Balkans, where Turkish F-16s flew side-by-side with US aircraft in NATO operation Allied Force over Kosovo and where Turkish forces are engaged with us in keeping the peace.

With the second-largest army in NATO and as an EU candidate member, Turkey will be key to building NATO-EU security links that reduce the US burden of defending Europe. The Turkish military plays a key role in supporting US security objectives in the region.

Through 1999, the United States and Turkey continued a close partnership to develop a strategic East-West Energy Transport Corridor, including the Baku-Tbilisi-Ceyhan oil pipeline and the Trans-Caspian gas pipeline. Over the past two years, Turkish and American efforts culminated in the historic signing of five documents in November 1999, setting up the basic framework to realize both pipelines. While there is still work to do, we are on the verge of achieving a major national security objective by establishing a non-Iranian, non-Russian export corridor for Central Asian and Caspian energy.

In the Middle East, Turkey supports the peace process and is building ever more solid, multifaceted ties with Israel, Jordan, and Egypt. Hostile foreign policies and domestic instability in bordering Iran, Iraq, and Syria (all state sponsors of terrorism and proliferators of weapons of mass destruction) pose military and economic threats to the US and our regional allies.

Economics: In 1994 the U.S. Department of Commerce designated Turkey as one of the world's ten "Big Emerging Markets." The volume of bilateral trade (over USD 5.8 billion) strongly favors the United States. Turkey exported USD 2.6 billion to the United States in 1999, with apparel and textiles, tobacco and iron & steel dominating. U.S. exports to Turkey last year totaled USD 3.2 billion, led by aircraft and spare parts, machinery and

tobacco. Total U.S. cumulative investment in Turkey, as of the end of 1999, was just over USD 3 billion. The U.S.-Turkey Bilateral Investment Treaty has been in place since 1986. A Bilateral Tax Treaty was signed in March 1996, ratified, and implemented in January 1998. A Trade and Investment Framework Agreement (TIFA) was signed in September 1999. U.S. and GOT economic officials meet regularly within the framework of a Joint Economic Commission (JEC) and the Trade and Investment Framework Agreement (TIFA) Council. Secretary Daley's visit to Turkey in January 1998 marked the inaugural meeting of the U.S.-Turkey Business Development Council that includes both public officials and private business.

MAJOR POLITICAL ISSUES AFFECTING THE BUSINESS CLIMATE

Turkey has been acknowledged as a candidate for European Union membership, long a strategic objective of the United States. The EU-Turkish accession partnership to be completed in 2000 will create a "road map" of human rights, democratization, and other reforms required to put Turkey on track to EU accession. This process, built on reforms already initiated in 1999, will have profound implications for democratic evolution and respect for human rights in Turkey, enhancing its role as a paradigm for the Muslim world.

Beginning in the early 1970's, and with a break only between the September 1980 coup and 1984 restoration of civilian rule, domestic terrorism has afflicted Turkish society. While most terrorism between 1971 and 1980 was ideologically based, between 1984 and 1999, the Kurdistan Workers' Party (PKK) employed terrorism in an unsuccessful effort to establish an independent state in southeastern Turkey. Following the rendition of PKK leader Abdullah Ocalan in February 1999 and his trial and death sentence in June 1999, the PKK almost completely ceased to use terrorism as a political tool, although it did not comprehensively reject terrorism. Ocalan remains jailed pending a European Court of Human Rights ruling on his case and/or Turkey's removing the death penalty from its criminal law. The United States recognizes the PKK as an international terrorist organization.

Radical leftist and Muslim extremist terrorists operate on a much smaller scale in Turkey.

In 1999, Turkey saw the fall of one government, an interim government and the election of a third. This latest government, the 57th since the creation of the Republic, appears much more stable and should remain in place for years, not months. This stability should give companies, in Turkey and from abroad, the confidence they need to aggressively pursue trade and investment opportunities.

SYNOPSIS OF THE POLITICAL SYSTEM

Political System: The Turkish political system, as defined by the 1982 Constitution, is a secular, parliamentary democracy with executive, legislative and judicial branches.

The executive branch includes a President, who serves as chief of state, the Prime Minister, who heads the government, and the Council of Ministers (or Cabinet). The President, who plays a non-partisan role, has broad powers of appointment and supervision, and is chosen by the Parliament for a term of seven years and cannot be re-elected. Parliament elected Constitutional Court Chairman Ahmet Necdet Sezer as president in May 2000.

The legislative branch of the government is the Turkish Grand National Assembly, which consists of 550 deputies elected in national elections at least every five years. The Prime Minister administers the government; the Prime Minister and Cabinet are responsible to the Parliament.

Elections are by proportional representation. To participate in the distribution of seats, a party must obtain at least ten percent of the votes cast at the national level. The last national elections were held in April 1999.

The judicial system consists of a constitutional court, a series of state courts that consider terrorist crimes, a council of state, and a high council of judges and prosecutors.

OVERVIEW OF MAIN POLITICAL PARTIES

Center-Left: The center-left Democratic Left Party (DSP) is the majority partner in the governing coalition government (DSP-MHP-ANAP), having won 22.1% of the overall vote in April 1999 elections. Bulent Ecevit is the party leader and Prime Minister. His party holds 136 seats in Parliament.

The other main center-left party, Republican People's Party (CHP), did not pull 10% of the national vote and is not represented in Parliament for the first time since it was founded in the Republic's initial days. The party, now under the leadership of Altin Oymen, is rebuilding.

Nationalists: The Nationalist Movement Party (MHP), led by Devlet Bahceli, stunned most political observers by capturing 18% of the national vote in April 1999. The MHP, which formerly had just three parliamentary seats, now has 127 and is a member of the coalition government. Since joining the governing coalition in June 1999, MHP has emphasized stability and continuity. It has strongly supported economic reform and the coalition position on political issues, such as not implementing the death penalty for PKK leader Ocalan, where needed for intra-governmental harmony.

Center-Right: ANAP, one of the three main center-right parties, is the junior coalition partner in the governing coalition. ANAP won 13.2% of the national vote and holds 87 seats in parliament. ANAP is a conservative mass party, supportive of free trade and private sector led growth. Its electorate is urban-based and its leader is Mesut Yilmaz.

DYP, similar to ANAP in ideology, won 12% of the national vote and holds 85 seats in

parliament. DYP was formed in 1983 in the tradition of the defunct Justice Party of Suleyman Demirel: a heterogeneous, conservative mass party, tolerant of religious beliefs, and supportive of rural development, as well as free trade. DYP is strongest in the towns and villages of western Anatolia. Tansu Ciller, who served as Turkey's first female Prime Minister from 1993 until early 1996, leads the party.

Islamists: The Fazilet Party (FP) was established in December 1997 after the Refah Party (the previous Islamist party) was closed. FP won 15.4% of the national vote and holds 103 parliamentary seats, a significant drop from 1995 elections, in which Refah emerged as the leading vote-getter with 21.4% of the national vote and 158 parliamentary seats. Fazilet's leader is Recai Kutan. The Constitutional Court is considering a case against FP that could result in its closure.

Numerous smaller parties also exist but are not represented in Parliament.

CHAPTER IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Marketing of most foreign products in Turkey is through foreign suppliers' agents or distributors. Depending on the location of the products' consumers/end-users, most distributors have a dealer network throughout the country or in areas where the product is most used. Commission agents, on the other hand, periodically visit their customers together with their foreign principals to maintain strong personal contact, a very important marketing tool in Turkey.

USE OF AGENTS AND DISTRIBUTORS

Unless a U.S. firm's interests are large enough to warrant opening an office in the country, the most effective means of selling in Turkey is through a reliable and qualified local representative. Personal contact is extremely important in Turkish business in both private and public sectors. When dealing with government tenders, an agent is an absolute necessity in view of complicated bureaucratic procedures and the language barrier.

An American firm should carefully investigate the reputation and possible conflicting interests of any prospective agents before signing agreements. Agency agreements under Turkish law are private contracts between two parties and their stipulations vary according to mutual consent. There are no fixed commission rates. It is recommended that sole agents/distributors be appointed, either for the whole country or for specifically designated areas or types of business. In cases where a large volume of government business is expected, it is essential either to appoint an Ankara firm or an Istanbul firm with a branch office in the capital.

Commercial Service Turkey, through its offices in Ankara, Istanbul and Izmir, provides a Gold Key Service, arranging custom-tailored appointment programs for visiting American business people. The Commerce Department's Agent/Distributor Service, as well as the Matchmaker, Trade Mission, and Catalog Show programs are other options for U.S. companies looking for assistance in entering the Turkish market.

FRANCHISING

Since 1986, when McDonald's entered Turkey as the country's very first franchise operation, the sector has grown and diversified significantly, extending into smaller towns from urban centers. The Turkish National Franchising Association, Ulusal Franchising Dernegi (UFRAD), a member of the International Franchising Association (IFA), acts as a meeting point for prospective franchisers and franchisees. Foreign franchises in Turkey are concentrated in fast foods and apparel, but other areas are increasingly represented as well.

In terms of a legal framework, franchising is considered in the same category as foreign investment. The GOT agency responsible for reviewing foreign franchise transactions is the Foreign Investment General Directorate (FIGD) of the Undersecretariat of the Treasury (UT). Foreign franchise proposals are generally favorably received by FIGD in view of their potential for generating employment opportunities, transfer of technology and know-how and establishing competition/role modeling on local quality standards. They also make tax evasion difficult because of their inherent control mechanisms and paperwork requirements.

The laws that apply are the Foreign Capital Incentive Law 6224, promulgated in 1984, and Decree No. 86/10353 dated February 1, 1986, with its communiqué No. I. These regulations stipulate that an applicant provide the FIGD with:

- A copy of the master franchise agreement;
- Documents confirming the existence of the physical facilities for the franchise operation;
- A feasibility report;
- Information on the foreign entity making the application (sales volume, assets, etc.); and
- Documentation of the product or service's patent (if it is patented).

After the approval of the master franchise agreement by the FIGD, royalty revenue can be transferred abroad subject to a ten- percent tax.

The Block Exemption Decree (relief from the Free Competition Law) No. 1998/7 dated December 1998 is based on the European Community's Law No. 4087/88 regarding exemptions. If a franchise agreement meets the requirements of this decree, it is exempt from the Free Competition Law, which is often in conflict with certain aspects of the franchising concept. Until this decree, each franchisee was obliged to obtain an individual exemption status by applying to the Competition Committee.

Contacts for various aspects of franchising are:

National Franchising Association
(Ulusal Franchising Dernegi-UFRAD)
Ergenekon Caddesi
Pangalti Is Merkezi 89/15
80240 Pangalti
Istanbul, Turkey
Tel: [90] (212) 296-6628
Fax: [90] (212) 224-5130
Contact: Mr. Mayir Saranga, President
Internet: <http://www.ufrad.org.tr>

UFRAD annually organizes a franchising fair, which attracts significant interest. In 2000 the fair will be held September 14-17 at the CNR International Fair Center in Istanbul.

Undersecretariat of Treasury
Directorate General of Foreign Investment
Eskisehir Yolu, Inonu Bulvari
Emek Mevkii, Ankara, Turkey
Tel: [90] (312) 212-8800 (switchboard)
[90] (312) 212-8414 or 212-8915
Fax: [90] (312) 212-8916
E-mail: GDFI@pm.treasury.gov.tr
Internet: <http://www.treasury.gov.tr>

Finally, the International Franchising Association in Washington, D.C. (1350 New York Avenue, NW, Washington, D.C. 20005-4709, tel. (202) 628-8000; fax: (202) 628-0812), has been active in Turkey, organizing visits to Turkey by potential U.S. franchisers and, in cooperation with UFRAD, putting them in contact with potential local franchisees.

Most large U.S. accounting / auditing / consultancy firms, many U.S. banks, and several U.S. law firms also have offices in Turkey to assist American firms interested in the Turkish market.

DIRECT MARKETING

Unless an U.S. firm has established an office in Turkey, direct marketing from the United States without an agent or consultant is not recommended. In fact, it is virtually impossible to surmount complicated bureaucratic requirements, language obstacles, and purchasing transactions without a competent local agent. Especially for those firms with sales potential large enough to warrant it, a local affiliate is the best possible way of selling to this market without an agent or distributor.

JOINT VENTURES/LICENSING

Although 100 percent foreign ownership is permitted, most U.S. investment in Turkey is in the form of joint venture / licensing operations. Basic infrastructure for a specific industry usually exists within the operation of the potential local licensee or joint venture partner that also has easy access to the market. The U.S. firm brings the required advanced technology or know-how. Most Turkish companies prefer to establish joint ventures with U.S. suppliers to overcome shipping costs and European competition. Especially in view of customs taxes applied to U.S. products vis-a-vis zero customs charges for European-origin goods (Turkey joined the European Customs Union in 1996), many U.S. firms have chosen local production as a way to profitably penetrate the Turkish market. Law No. 6224 and Decree No. 86/10353 govern joint ventures/licensing, as well as direct foreign investment in the country. The government authority in charge is the Undersecretariat of the Treasury, General Directorate of Foreign Investment. Especially in large urban centers, a highly sophisticated infrastructure exists (legal support, financial and consultancy services) which may be required by potential foreign investors or joint venture partners. Major U.S. accounting/auditing firms, law firms and banks also have established branches in Turkey.

STEPS TO ESTABLISHING AN OFFICE

Foreign investment and the establishment of offices in Turkey are governed by Foreign Investment Law number 6224 (dated January 18, 1954--published in the Official Gazette on January 24, 1954)--"The Law Concerning the Encouragement of Foreign Capital," and the "Foreign Capital Framework Decree" number 92/2789 (dated March 4, 1992--published in the Official Gazette on March 20, 1992). Under these regulations, foreigners may invest in Turkey, engage in commercial activities, participate in partnerships, purchase shares, open branch offices, and establish liaison offices. The General Directorate of Foreign Investment (GDFI) of the Undersecretariat of the Treasury is responsible for implementing foreign investment regulations.

A foreign company is free to choose between a corporation (Anonim Sirket--A.S., or "Societe Anonyme" type corporation), private limited company (limited liability company), or branch office as the form for its operations in Turkey. The 'A.S.' form is more suitable for larger projects, since corporations can attract a large number of shareholders and are preferred by banks for credit purposes. The limited company form is more convenient for sales and distribution enterprises.

Company formation: Application for the establishment of a new company, opening a branch office, or initiating participation in an existing company is made to the GDFI in writing. The investment law requires that each partner invest a minimum of USD 50,000. This may be in cash or in kind. After permission is granted, the foreign investor can form a company, open a branch office or begin participation in an existing company.

Liaison Offices: Application to establish a liaison office is also made to the GDFI in

writing. A liaison office cannot engage in any activity in Turkey that generates revenue. The expenditures of a liaison office must be met entirely from foreign currency brought in from abroad.

Commercial Service Turkey suggests that a lawyer be retained to obtain additional details and handle the application process and entity formation. Use of an accountant for tax planning is also recommended. Listings of American and Turkish lawyers and accountants resident in major Turkish cities are published on the Commercial Service Turkey website, www.csturkey.com.

SELLING FACTORS/TECHNIQUES

Once an American firm appoints an agent, the agent or distributor expects-and should receive-the principal's full support with regard to literature, technical information and advertisement materials. Possible government buyers and potential private-sector importers should receive catalogs and other literature clearly indicating the name and address of the local agents/distributors. A common and very effective support practice by European principals is to invite the agent to the principal's country every year for an annual sales meeting. Both agents and, if possible, their principals, should periodically visit existing and potential customers since the importance of personal contact in Turkey cannot be overemphasized.

Especially in larger Turkish cities, international trade promotional events, such as fairs, exhibits and seminars, are common methods of sales promotion. These fairs are also opportunities for U.S. companies to assess (and meet) existing competition, since all major foreign and local suppliers participate in such events. The catalogs of the events serve as 'trade lists' on specific product categories. Currently, there are about seventy international fair and exhibit organizers in Turkey.

Commercial Service Turkey has been promoting attendance by prospective Turkish buyers at exhibits in the U.S. and Europe. Turkish visitors to those fairs return highly impressed by the U.S. products. CS Turkey will continue to coordinate with other posts and event organizers to facilitate the visits of buyers to these events.

ADVERTISING AND TRADE PROMOTION

Chambers of Commerce and Industry, various associations, and specific sectoral publications serve as potential channels for advertisement. Television commercials or ads in major newspapers are also highly effective. In Turkey, there are 16 national TV channels. Major newspapers include Cumhuriyet, Hurriyet, Milliyet and Sabah, all of which have their headquarters in Istanbul with branch offices in Ankara. The country's foremost commercial/economic daily newspaper is Dunya. Major weekly periodicals are: Anka Haber (economy); Barometre (economy); Briefing (weekly inside perspective on Turkish political, economic and business affairs); Detay (economy-also publishes tenders

on equipment procurement and infrastructure projects); Eba Newsletter (economy/English daily); Ebareport (a weekly special survey of Turkish business, industry and contacts market); and Tebanews (weekly magazine--in English--on tenders, investment projects and economy). There are many periodicals issued monthly. The most important publications in this category are Bilgisayar (computer and related equipment); Bilisim (computer and related equipment); BT/haber_ (weekly/computer and related equipment); Dunya Insaat (construction machinery); Finans Dunyasi (finance and economy); Turkey (economy); and Yazilim Donanim (software).

PRICING PRODUCT

Price has traditionally been the most important consideration in government tenders. Private sector buyers emphasize quality, but price remains a significant issue. In both public and private sales, creative financing which reduces up front cash outlays can mitigate this. While imports from European Union and EFTA countries are exempt from duties, American firms can still be competitive by offering financing alternatives to credit-hungry Turkish buyers. The Commercial Service urges U.S. suppliers to use caution when establishing a relationship with a Turkish importer, through the use of instruments like Letters of Credit and Exim Bank protection.

SALES SERVICE/CUSTOMER SUPPORT

Local agents/distributors of U.S. suppliers should have the necessary degree of service and maintenance capability. Through personal contact, the potential customer should be convinced about this capability. It is a further advantage if the U.S. firm has established its own office in Turkey and has servicing facilities in the country's major centers.

SELLING TO THE GOVERNMENT

The GOT procurement system is often frustrating and inconsistent, but it does not discriminate against U.S. suppliers who succeed in winning a large number of international tenders. The main law that regulates government procurement is the State Procurement Law No. 2886, dated September 8, 1983. This law covers the agencies which have budgets allocated from the central budget. In Turkey, many state-owned corporations (state economic enterprises-SEEs) generate revenues through sales of raw materials, semi-finished and finished products and services. Each of these has its own procurement rules and regulations in its operating charter. These regulations are much more flexible than Law No. 2886 since these SEEs operate as quasi-private sector companies. In terms of financial obligations and practices, SEE procurement regulations are largely based upon a government decree called "the Decree on the Operations of the State Economic Enterprises" No. 233 of June 8, 1984, Turkey's Law of Obligations No. 818, dated April 22, 1926, and the Turkish Commercial Code No. 6762, dated June 29, 1956. Other exceptions are the Undersecretariat of Defense Industries (SSM) and Ministry of National Defense. SSM procurement is financed off budget, through special taxes, and is not subject to Law 2886.

Price, quality, financial credit terms, and length of repayment period are the most important factors in purchasing decisions. Other factors that affect sourcing decisions are the suppliers' reputation, the reputation of the quality and reliability of their products, and previous experience in dealing with particular suppliers.

In GOT tenders, state organizations give particular importance to the way proposals are prepared and to their adherence to administrative and technical specifications. Generally, the validity of the proposal must be three to six months from the bid date and the same validity is expected for the bid bond. (A bid bond is required so that the bidder does not later retract its offer. If a company retracts its offer, the bid bond is forfeited.) The bid bond is usually obtained from the actual supplier for three percent of the bid amount. The performance bond is usually six percent of the contract amount and is valid throughout the delivery or final acceptance beginning from the contract date. All bonds have to be counter-guaranteed by a Turkish national bank.

BOT (build-operate-transfer) and BO (build-own) investments have been the GOT's preferred procurement / finance method, especially in power generation, airport and port projects. The concept involves offering foreign companies the opportunity to participate as investors in large infrastructure projects. The underlying formula permits parties interested in contracting, engineering or other aspects of a major project to come in as investors. Foreign investors become the operators of the project for a pre-agreed period (usually 15 to 25 years) corresponding to the economic life of the asset, before handing it over to the GOT.

BOT Law No. 3996 (dated June 8, 1994) became effective on June 13, 1994 and stipulates regulations and procedures to be followed in BOT practices. According to the law, the GOT allows private Turkish and foreign firms to invest on a BOT basis for bridges, tunnels, dams, irrigation, potable water, treatment plants, sewage systems, telecommunications, power generation, transmission, distribution, mining, environmental prevention investments, seaports and airports.

A law for BO projects was enacted in July 1997.

In 1999, the Turkish Parliament changed three articles in the constitution, allowing international arbitration by making energy sales agreements subject to private sector laws. These changes will also accelerate Council of State (Danistay) approval. However, the GOT plans to pass an Electricity Market Law by year-end 2000. This new law will establish a liberalized electricity market. By the end of 2002, Turkish Treasury expects it will not issue Treasury guarantees to support electricity generation projects. The GOT will still consider providing guarantees for hydroelectric and renewable energy projects.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

In 1995, as part of Turkey's harmonization with the EU in advance of a customs union, the Turkish parliament approved new patent, trademark and copyright laws. Turkey also acceded to a number of multilateral intellectual property rights (IPR) conventions. Although the new laws provide an improved legal framework for protecting IPR, they require further amendments to be consistent with the standards contained in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The GOT has declared that it intends to have a TRIPS-compatible IPR regime in place in 2000 and has volunteered for a WTO TRIPS review in the second half of 2000. Draft amendments to the Copyright Law were under consideration by the Turkish Parliament as of June 2000.

Turkey has been on the Special 301 Priority Watch List since 1992. This list comprises those countries that fail to adequately and effectively protect U. S.-origin intellectual property. U.S. industry estimates that IPR violations in Turkey cost U.S. businesses approximately USD 241.1 million in 1999, including USD 60 million in pharmaceuticals and USD 181.1 million in copyrighted materials. In the 1997 Special 301 review, the U.S. Trade Representative provided Turkey with a set of benchmarks necessary in order to improve its status in the Special 301 process. In April 1998, the U.S. announced that it would not consider requests to augment Turkey's benefits under the U.S. Generalized System of Preferences (GSP) until further progress is made on the benchmarks. Out of the six benchmarks, Turkey has made significant progress on four and is in the process of addressing the problems identified in the fifth and sixth benchmarks.

Taxes on the showing of foreign and domestic films were equalized in 1998. The Prime Minister issued a circular in 1998 directing all government agencies to legalize the software used in their offices. A public anti-piracy campaign was begun in 1998 and the GOT has made efforts to educate businesses, consumers, judges and prosecutors regarding the implications of its laws. Turkey extended patent protection to pharmaceutical products in January 1999 in accordance with Turkey's customs union commitments to the EU. Turkey currently is in the process of amending its copyright legislation. In August 1999, fines were increased by 800 percent and indexed to inflation. Turkish police and prosecutors are working closely with trademark, patent and copyright holders to conduct raids against pirates within Turkey. Although many seizures have been made (including by Turkish Customs officials at ports of entry), and several cases have been brought to conclusion successfully, U.S. industry remains concerned that fines and penalties levied by the courts are insufficient to serve as a significant deterrent.

Intellectual Property Rights are addressed through the following two laws, six decree laws, two decrees and five regulations promulgated in 1994 and 1995:

- Decree Law No. 554, June 24, 1994 provides for the establishment of and functions of the Turkish Patent Institute
- October 25, 1994 decree for accession to the Stockholm Act of the Paris Convention
- Decree Law No. 551, June 27, 1995 provides for protection of patent rights
- Decree Law No. 554, June 27, 1995 provides for protection of industrial designs

- Decree Law No. 555, June 27, 1995 provides for protection of geographical indications
- Decree Law No. 556, June 27, 1995 provides for protection of trademarks
- Law No. 4115, July 7, 1995 provides for accession to the Patent Cooperation Treaty
- Decree No. 95/7094, July 12, 1995 provides for accession to Nice, Vienna and Strasbourg Agreements
- Decree Law 566, September 22, 1995, the amendment of the Transition Period of Patent Protection of Pharmaceutical and Veterinary Products and Processes
- Law No. 4128, November 7, 1995, the addition of penal provisions to the Decree Laws No. 551, 554, 555 and 556

NEED FOR A LOCAL ATTORNEY

English-speaking attorneys specializing in commercial law, investment legislation, joint ventures, corporate law, tax law, bankruptcy law, public finance, banking corporations, criminal law, civil law and in other areas are available for consultation with U.S. business representatives. A list of specialized attorneys is available in CS offices in Turkey or on our website, www.csturkey.com. The list includes the following U.S. law firms operating in Turkey: Altheimer & Gray, Arnold & Porter (liaison office: Metin Somay Law Offices), and White & Case.

PERFORMING DUE DILIGENCE

Companies can minimize their risk of exporting to new customers or entering into business with new partners by utilizing the U.S. Department of Commerce International Company Profile (ICP) program. An ICP provides up-to-date information that includes bank and trade references; names of principals, key officers and managers; product lines; the number of employees; financial data; sales volume; reputation and market outlook, all at a reasonable price. For more information, please visit our website at www.csturkey.com.

CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

Sector Rank: 1

Sector Name: Telecommunications Services

ITA Industry Code: TES

Turk Telekom (TTAS) is the incumbent fixed line telecommunications operator, of which 100% is GOT-owned. Although Turk Telekom, Inc. (TTAS) provides basic fixed line voice telephony, a new telecom law passed by the Parliament on January 29, 2000 specifically liberalizes voice telephony starting January 1, 2004.

One of the major opportunities for American firms is privatization of Turk Telekom itself.

The Turkish Privatization Administration (PA) will oversee the privatization tender on behalf of TTAS. The Turk Telekom Tender Committee will carry out the sale of a minority stake of TTAS. The Committee intends to sell 20% of the authorized shares of TTAS through a block sale to a strategic investor. Through privatization, a Strategic Investor is sought to provide knowledge, expertise and assistance to effect the transformation of TTAS into a modern, efficient, commercially driven operator.

A Strategic Investor is defined as an international basic telecommunications operator, or a group of telecommunications operators containing at least one such international basic telecommunications operator or a consortium of investors in which basic telecommunications operators collectively hold a majority interest. The Strategic Investor will be given appropriate management rights. Adding to TTAS's value, the GOT recently awarded a forth GSM cellular license at 1800 MHz to TTAS. Further information on TTAS' privatization can be found on the web, www.oib.gov.tr

Another potential opportunity in telecom services is a fifth GSM cellular license at 1800 MHz or third generation GSM (3G) cellular licenses to operate under the UMTS technology. Some Turkish companies are already looking for foreign partners to pursue this opportunity.

A third GSM license was awarded recently to the Turkiye Is Bank/Telecom Italia consortium at a surprisingly high price of USD 2.5 billion, plus value added tax (VAT). With the VAT, the cost of the license price is nearly USD 3 billion. The competing consortia declined to bid higher than the USD 2.5 minimum floor for a fifth GSM license at the same frequency. Consequently, the Ministry of Transport and Communications (MOTC) did not award the fifth GSM cellular license. The Ministry may decide to announce at a later date a separate tender for the 5th GSM-1800 license. However, a tender is not expected for the 3rd generation GSM licenses before 2001.

One of the major value-added services within the telecommunications sector is cable-TV service, which can transmit TV broadcasts as well as data transmission and voice. The current cable-TV operators are operating under a revenue-sharing agreement with TTAS. MOTC expected to award licenses for these services at a future date.

Other promising value added services are satellite services, public payphones, fiber optic cable facilitation services, directory and emergency call services. High speed data and leased line services also have a promising future in Turkey. Some companies have already started applying for licenses at the MOTC.

Another growth prospect for the Turkish market is the international traffic in and out of the country. Due to the widely spread Turkish population around the world and its cultural relations in the region, there international traffic is expected to increase dramatically over the coming years.

Following is the market size estimates for this sector:

USD millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Sales	2,870	3,200	3,800
B. Sales by Local Firms	2,110	2,300	2,500
C. Export Sales by Local Firms	260	270	300
D. Sales by Foreign-Owned Firms	1,020	1,170	1,600
E. Sales by U.S.-Owned Firms	80	120	160

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates and do not include the construction cost.

Sector Rank: 2

Sector Name: Telecommunications Equipment

ITA Industry Code: TEL

Turk Telekom (TT) has over 19 million lines connected to its public switched telecommunications network and over 18 million subscribers. Fixed telephone line density is almost 25 percent and the government's goal is to reach 40% by 2005. To accomplish this, over 2-3 million fixed lines will be added annually over the next five years. Cellular density is currently 15 percent and expected to grow at a rapid rate over the next 5-10 years. Another significant opportunity for U.S. firms is to supply GSM 1800 MHz equipment to Turk Telekom.

After the strategic sale of 20 percent of Turk Telekom and its subsequent privatization, the new investor may establish an intelligent network operation center and an emergency services center, improve payphones, and procure wireless local loop and satellite earth station equipment. New investments to expand cable-TV networks and establish direct TV (digital TV) networks are also anticipated. Furthermore, the private sector is expected to invest in data transmission networks.

Following is the market size estimates for this sector:

USD millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	1,220	1,450	1,800
B. Total Local Production	890	950	1,150
C. Total Exports	260	280	300
D. Total Imports	590	780	950
E. Imports from the U.S.	90	130	180

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates and do not include the construction cost.

Sector Rank: 3

Sector Name: Electrical Power Systems

ITA Industry Code: ELP

Turkey needs approximately USD 4 billion in investments in new power plants and transmission and distribution lines to meet its 8-10% increase in electric energy demand. Foreign and domestic private sector participants will implement most of this investment. The 26,500 MW of installed electric power capacity, as of year-end 1999, will triple by 2010 and increase five-fold by 2020 to meet Turkey's burgeoning demand.

American, European, and Japanese firms are pursuing natural gas, lignite coal, and imported coal fired power plant projects following a BO or BOT model. Foreign firms are also very interested in turnkey hydroelectric power plant (HEPP) projects constructed through bilateral agreements. Renewable energy is another attractive area in Turkey. Turkey's current 11,000 MW of hydropower and other renewable electric energy generation capacity is expected to grow to 25,000 MW in 2010 and reach 30,000 MW by 2020.

American investments in Turkey, with the financing support of U.S. Exim Bank and OPIC, continue. Two major U.S. Build-Operate-Transfer (BOT) financed power plants have already started commercial operation. Others are in the contract negotiation stage. Enka and Bechtel are constructing three Build-Operate (BO) natural gas fired power plant projects with combined installed capacity of 3,830 MW. These three projects will generate approximately USD 1.5 billion in U.S. exports.

The GOT is expected to pass a new Electricity Market Law, as proposed by the World Bank, by year-end 2000. The new law will enforce the establishment of an independent regulatory body and an electricity pool system similar to that employed in the United Kingdom. Once major difference from the UK model is that power generation companies will be able to sell electricity directly to consumers over a certain kWh threshold. This threshold will be set by the EU's electricity directive, and will gradually decline over time. As part of the same effort, the GOT will break the state electricity generation and transmission company, TEAS, into three parts, one company to generate, another to transmit, and the third to engage in electricity trading. The transmission company, however, will remain state-owned and transmit electricity generated by any company for a transmission charge, which will be set by the independent regulatory body.

In fiscal year 2001, we anticipate major opportunities in new co-generation (autoproduction) power plants, mobile power generating units, power plant automation and control equipment, electricity distribution network SCADA systems, and flue gas desulphurization systems, as well as new electricity transmission and distribution line installation. Renewable energy will play an important role, as suggested by the World

Bank and EU, providing U.S. firms with opportunities to supply small hydroelectric, wind, geothermal, solar and other renewal energy equipment.

The GOT improved the investment climate in the energy sector in 1999 and 2000, passing a constitutional amendment and implementing legislation to allow international arbitration in the energy-related agreements. Turkey's energy sector will undergo a transition period of at least two years towards a largely (80%) private energy sector. The GOT has decided only to support enough BOT projects, by issuing Treasury Guarantees, to meet expected energy demand through 2002. To that end, in May, the GOT compiled a list of 29 projects it would support. Companies may still pursue opportunities between now and 2002, but they will not received Treasury guarantees to back up energy sales or fuel supply agreements.

Following is the market size estimates for this sector:

USD millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	1,850	2,150	2,400
B. Total Local Production	750	850	900
C. Total Exports	170	180	190
D. Total Imports	1,270	1,480	1,690
E. Imports from the U.S.	490	550	700

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates and do not include the construction cost.

Sector Rank: 4

Sector Name: Oil and Gas Pipelines

ITA Industry Code: OGM, PVC, FNS and TEL

Turkey is strategically located between the rich oil and natural gas reserves of the Greater Caspian Region and Middle East and the main energy consumers of the Western world. Within this region, Turkey is one of the major crude oil importers, with an annual oil consumption of nearly 28.3 million tons. Eighty-two percent of total consumption, equaling 23.3 million tons, is imported leaving 18 % supplied from indigenous production. Considering the production and consumption figures, it appears likely that Turkey's total oil importation will reach 41,488 KTOE by 2010.

Under an inter-governmental protocol signed Nov. 18, 1999 in Istanbul, Turkey, Azerbaijan, Georgia and Kazakhstan agreed to build the 1.0 million barrel-a-day Baku-Tbilisi-Ceyhan Pipeline. The 2,000-kilometer crude oil pipeline from Azerbaijan's capital Baku on the Caspian will terminate in Ceyhan, Turkey's deep-water Mediterranean port. Construction of a new oil refinery on the Mediterranean coast near Ceyhan is also a potential prospect for interested U.S. companies.

The total capacity of the pipeline is planned to be 45 million tons a year, starting at an initial capacity of 11.5 million tons per year and with annual to reach the maximum capacity within six years. One thousand six hundred and eighteen kilometers of pipeline is projected to be 42-inch diameter, while 112 kilometers will be 34 inch diameter at the designed pressure of 100 bar.

According to the studies, the pipeline will include 10 pumping stations, including one head pumping station at the Sangachally terminal. Three stations will be located in Azerbaijan, another three in Georgia and four in Turkey. Ninety line valves will be installed at various locations and controlled remotely. Three control and communication centers are planned, one in Baku, one in Tbilisi and the last one in Ceyhan. The necessary data communication will be provided via satellite and fiber optic cable, which will be laid along side of the pipeline during construction. The Turkish Pipeline Company, BOTAS, is already collecting bids for the final design and engineering of the Turkish portion of the pipeline.

Turkey, expected to consume 13.5 billion cubic meters (BCM) of natural gas this year, has struck pipeline gas agreements with Russia, currently its chief supplier, and liquefied natural gas (LNG) deals with Algeria and Nigeria. Given new power plant investments, an average annual GNP growth rate of five percent and an annual increase in population of 1.5 percent, Turkey will need 19 BCM of natural gas in 2000, 50 BCM in 2010 and 80 BCM in 2020.

While the GOT is reviewing a number of options, it favors a USD 2.5 billion plan to bring Turkmen gas to Turkey through a Trans-Caspian Sea pipeline which will eventually supply the Turkish market with 16 BCM, initial volumes starting to flow in 2003. Additionally, the pipeline is expected to transport 14 BCM through Turkey on to Europe or LNG spot markets.

A consortium led by BP Amoco is offering to supply Azeri gas to Turkey in late 2002. The consortium says it could supply gas at an initial annual rate of 2 BCM, increasing to 5 BCM by the second year. The field, according to the Shah Deniz consortium, could contain up to 700 billion cubic meters of gas.

In addition to the existing LNG Regasification Terminal in Marmara Ereğlisi, BOTAS, plans to locate the second LNG Regasification Terminal in Izmir/Aliaga with a capacity of 4-6 BCM a year. BOTAS selected Izmir/Aliaga because of its strategic location as the entrance to the Aegean Region. The GOT plans to implement a complete LNG program in Izmir including production, liquefaction, transportation and regasification. The GOT's aim is to partner in the upstream part of the LNG chain and allow supplier companies to take part in the construction and operation of the LNG import terminal. In addition, a number of companies has begun construction on another LNG project at the same location.

In February 2000, Turkey signed a protocol with Egypt to transport natural gas from Egypt

to Turkey through a submarine pipeline to be constructed in the Eastern Mediterranean. Turkey also signed another protocol to purchase 4-5 BCM of LNG from Egypt. However, progress in implementing this project has been slow.

To distribute natural gas nationwide, Turkey needs 2,577 kilometers of additional pipelines. BOTAS has already contracted approximately USD 400 million worth of pipeline work. To date, BOTAS has made advance payments of about USD 170 million to implement these projects. BOTAS plans to tender by year-end 2000 additional 560-Km natural gas pipeline projects to connect the cities of Sivas, Malatya, Gaziantep, Adana, and Mersin. A pipeline linking Ankara and Samsun, a distance of 500 Km, is also planned for construction. This pipeline requires the construction of a compressor station and measuring station. BOTAS is also carrying out a feasibility study for the construction of a pipeline between Konya and Izmir.

The GOT will issue licenses for the distribution of gas in Izmir, Konya, Samsun, Trabzon, Kayseri, Denizli, Corum, Balikesir, Adapazari, Erzurum and Erzincan. These new investments, most to be implemented in 2001, will be carried out by local and foreign private sector firms, which will also operate the distribution systems. In anticipation of licensing, some local companies have been established with the participation of local municipalities. To increase competition, companies will not be granted regional concessions, and each company will be free to market gas to end-users. The Natural Gas Equipment Industrialists and Businessmen Association, DOSIDER, estimates that the cost associated with the natural gas equipment and attending services required for these new systems will be approximately USD 1.5 billion.

Following is the market size estimates for this sector:

USD millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	480	550	730
B. Total Local Production	110	130	150
C. Total Exports	50	60	70
D. Total Imports	420	480	650
E. Imports from the U.S.	60	80	110

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates and do not include the construction cost.

Sector Rank: 5

Sector Name: Information Technology

ITA Industry Code: IT

The information technology (IT) market in Turkey is presently pegged at close to 3 billion,

with approximately 4,000 companies actively providing IT goods and services. The IT sector continues to attract a significant number of new companies, increasing competition and squeezing profit margins. However, industry specialists predict market pressures will eventually reduce the number of companies thereby enhancing revenues for companies with more sophisticated management.

Total market revenue in 1999 was USD 1.8 billion and is expected to reach just shy of USD 3 billion in 2000 and surpass USD 10 billion by 2005. Over the past five years, the IT industry in Turkey has grown an average of 25 to 30% per year with increasingly competitive hardware and software prices.

The Small and Medium Enterprises Chamber of Commerce in Turkey (KOSGEB) predicts that by 2001, twenty five percent of Turkey's 2.5 million small and medium enterprises in Turkey will have internet access, reflecting purchases of hardware, software and internet services by more than 1.7 million individuals.

Brand loyalty is not established among computer buyers in Turkey. Computers are usually purchased as components and assembled by the seller. Software brand recognition is low due to a lack of sustained software advertisement and demonstrations.

User demographics dictate that most of the products and services offered on the Internet in Turkey target young professionals. Products and services offered through electronic or e-commerce, including a wide range of goods and information products, offer the most promising opportunities for American companies. The typical Turkish internet user is similar to the software user profile: 83% male; 17% female; 80% university graduates; 30% married; and the average age is 28.

The internet is well accepted as a communication / information medium in Turkey. The internet, with its current 1.7 million users, is the main driving force behind PC sales. The largest group of users is under 35 years of age. It is this group that feels the most comfortable with computers and the internet. Uses of the internet include email, research, chatting on line, personal banking, computer games on the net, job searches, and a growing number of electronic commerce transactions.

Recently, competition among the ISP's (Internet Service Providers) has grown fierce. There are over 70 ISPs in Turkey presently. The latest trend in the ISP market is selling PCs with ISP membership. The membership cost includes the cost of the PC and the monthly fee for membership is approximately USD 40-50. However, normally the ISP membership can not be terminated for a minimum period of 18 months or more depending on the campaign.

Internet subscriptions are easily obtained by submitted credit card information and application forms. Major ISPs, such as Superonline and Turk Net, have established dealership programs where "internet boxes", containing dial up software on CD-ROMs, are

sold at local computer stores. These boxes allow the consumer to get instant internet connection. The entrance of two new major ISP start-ups, Ixir and E-Kolay have further increased competition and lowered connection prices.

Prices vary between USD 9.95 (including 15% VAT) to USD 35.00 (including 15% VAT) for one month of unlimited Internet access. Each internet service provider also provides an e-mail account to the consumer upon registration.

Internet access and speed recently received a significant boost when Turk Telekom, the state owned telecommunications company, began offering Internet connection through cable television lines. Although initial costs and monthly fees are approximately 4-5 times higher than a normal dial-up line, many users, especially businesses, are eager to connect at speeds up to 64K, 128K, or 256K. However, practical experience shows that the promised service is not yet perfected and speeds of 128k, 256k, or even 512k are not available in some parts of the country even where cable network coverage is available. Additional investments are required to tackle this problem and bring speeds up to the expected levels. Increased speed will alleviate previously painfully slow downloads of software leading to increased commercial opportunities.

Higher speed access to the internet may create opportunities for U.S. software packages, photo disk companies, mp3 musical downloads, and further increase exposure to internet sites previously not reachable. Interestingly, this new cable-access option also increases Internet education opportunities, especially for English language and computer programming instruction.

Following is the market size estimates for this sector:

USD (million)	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	1,225	1,800	2,375
B. Total Local Production	329	796	1,121
C. Total Exports	40	65	81
D. Total Imports	936	1,069	1,335
E. Imports from the U.S.	166	200	252

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 6

NAME OF SECTOR: FRANCHISING

ITA INDUSTRY CODE: FRA

Since 1985, when McDonald's entered Turkey as the first franchise in the country, the

sector has grown to include more than 200 franchisers, and over 4000 franchisees. About one third of the franchisers are foreign companies. The estimated total turnover of franchising units in Turkey at the end of 1999 was USD 1.5 billion, representing an increase of about 50 percent over 1998. Foreign franchises account for approximately half of this turnover. The increase was registered during a recession, which shows the resilience of the franchising sector in Turkey.

Each autumn, a franchising fair is organized by the National Franchise Association (UFRAD), and attracts much interest. Other factors positively affecting the development of franchising in Turkey are:

- Growth of private entrepreneurship in partnership with foreign firms among the younger generation, in response to the government's encouragement of foreign capital and obvious benefits of owning one's own business;
- Increased interest in Turkey by foreign franchisers, not only because of Turkey's own attractions as a lucrative market but also for its significance as a stepping stone to Central Asian markets;
- Legislation that recognizes franchising as different from ordinary foreign investment, and grants certain legal exemptions to franchises. The "Block Exemption" decree of December 1998, based on the European Community's Law No. 4087/88, grants franchise investments exemption from the law on free competition. This frees franchise operations from stipulations detrimental to the operation of a franchise.

The sector is diversifying rapidly from fast foods and apparel, to education, cleaning, printing, office and computer services, furniture, hardware, real estate, stationery, fitness, and supermarket chains. Service companies are expected soon to outnumber fast food and apparel franchises. As an example, during a recent U.S. franchising trade mission, there was overwhelming interest in an American advertising sign franchiser.

The United States enjoys the largest share of the Turkish market among foreign franchises.

The following are the market size estimates for this sector:

(USD MILLIONS)	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	1,300	2,000	2,500
B. Total Local Production	700	900	1,000
C. Total Exports	100	200	300
D. Total Imports	700	1,300	1,800
E. Imports from the United States	400	400	500

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 7

NAME OF SECTOR: BUILDING PRODUCTS

ITA INDUSTRY CODE: BLD

Turkey experienced two earthquakes in 1999, which damaged more than 250,000 housing units. These disasters contributed to the already insufficient housing inventory challenged by the steadily rising migration to the cities of villagers from southeastern Turkey. Although exact figures on the housing shortage are not available, the shortfall is estimated to be around 200-250,000 units, in addition to the 250,000 units to bring the earthquake-affected area back to its pre-August 1999 level. Consequently much of this demand is met by illegal housing construction. While demand has been tempered over the last 2-3 years due to high interest rates, the GOT's fiscal policies have driven interest rates down encouraging people to purchase housing now.

Following the deadly earthquakes that rocked Turkey, the Mass Housing Administration started a residential construction program in the affected areas. Analysts believe this promotion will contribute to the growth in the housing sector. Additionally, the growing economy and rapid urban expansion have boosted the need for the development of more office buildings. Simultaneously, the shopping mall / plaza concept is gaining popularity and tourism development continues to generate new construction projects.

Turkish contractors are also active in neighboring countries, including Central and Eastern Europe, Russia, the Caucasus, Central Asia and the Middle East. Nearly 30% of the business volume booked by Turkish construction companies is in the Newly Independent States market. Therefore, countries in the region often also rely on Turkey as a major supplier of building materials. Consequently, this "high value added" sector ranks very high in the Turkish economy, behind textiles and the food industry.

However, economic conditions in Turkey are highly influenced by world crises and in turn, directly affect the building sector. GOT projects, mostly infrastructure projects such as highways, bridges, airports, seaports, etc. have been slowed by the financial crunch brought on by Russia's financial woes. The sector's performance in 1999 was lackluster. However, in 2000, due to improved economic conditions and the reconstruction and restoration of damaged residential and non-residential buildings in the earthquake-affected areas, the outlook will improve.

Most building materials are manufactured domestically by more than 5,500 local producers, but imported building materials are increasing their market share. This is especially true in newer hotels and tourist centers and in the country's more affluent urban areas. Building materials for tourism projects are imported duty free, as a result of the GOT's support and subsidies for the development of the country's tourism sector. This special consideration

makes imported building materials much more competitive on the local market, making them available at relatively competitive prices.

There are substantial markets in Turkey for both low cost/low quality products, as well as very high quality/high priced materials. Affluent consumer's demand higher priced / quality luxury products to match high quality construction. Imported products fill this niche market, with Italy being one of the major suppliers. Prefabricated homes, doors, windows, bathroom and kitchen accessories, and roofing, siding and specialty flooring materials from the U.S. are best prospects. The market is also especially open to new and advanced design and engineered products.

The following is the market size of this sector:

USD Million	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	3,450	2,500	2,950
B. Total Local Production	3,700	3,000	3,500
C. Total Exports	1,100	1,200	1,400
D. Total Imports	850	700	850
E. Imports from the U.S.	115	90	100

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 8

NAME OF SECTOR: DEFENSE INDUSTRY EQUIPMENT

ITA INDUSTRY CODE: DEF

Turkey attaches great importance to peace support operations under UN and NATO auspices. Turkey is still contributing to several ongoing peace keeping operations. Due to its geo-strategic location, Turkey finds itself at the center of many regional crises and conflicts with significant political, military, cultural and economic importance. The latest examples include Bosnia-Herzegovina and Kosovo. For this reason, Turkey maintains the second largest army in the NATO defense system. The total size of the Turkish Armed Forces of 614,000 is divided between the Army (400,000), the Navy (54,000) and the Air Force (60,000).

Turkey obtains 79 percent of its defense equipment through imports with only 21 percent produced domestically. The share of defense expenditures in Gross National Product (GNP) is around 4.1 percent. It is estimated that 40 percent of the defense equipment to be purchased by 2025 will be comprised of defense electronics. The majority of the Turkish Armed Forces projects involve the transfer of technology and production of at least partial units in Turkey.

The requirements of the Turkish Armed Forces make the country a major market for weapons, ammunition and defense system sales by U.S. companies. Military sources indicate that USD 150 billion will be needed to supply the Turkish Armed Forces in the next 30 years. During this period, the Army ground forces will need USD 60 billion, the Navy USD 25 billion, and the Air Force USD 65 billion in arms and equipment. Major programs forecasted for 1999-2007 include 1,000 Main Battle Tanks, four submarines, four airborne early warning and command and control aircraft, 32 additional F-16s, 145 attack helicopters, and 90 utility, medium-and heavy-lift helicopters. Other procurement under discussion includes wheeled armored vehicles, tank transport and rescue vehicles, army tactical missile system (ATACMS), unmanned aerial vehicle (UAV), training aircraft, fast patrol boats, submarines, frigates, light frigates/corvettes, maritime patrol and surveillance aircraft, mine hunting ships, battle support ships, improved communications equipment, mobile radar, and various other types of advanced warships.

The Ministry of Defense (MOD) plans to finance its modernization program through the national budget (USD 8.2 billion), special allocations from the Defense Industry Support Fund, and partly by foreign military loans and contributions in connection with the Conventional Forces in Europe Treaty. The creation of the Under Secretariat for Defense Industries (SSM) gave a big boost to Turkey's domestic defense industry, which it has been directed to modernize.

Turkey began its defense-related modernization program in 1984 with the co-production of F-16 fighter aircraft, armored infantry fighting vehicles, shoulder-launched Stinger missiles, and light transport aircraft. Turkey will remain a good market for U.S. off-the-shelf products, as Turkish receptivity to U.S. defense products is high.

U.S. companies should diversify their product bases to include equipment with defense/industrial/commercial applications. The Turkish industrial and commercial markets are very receptive to American high technology products.

The following are the market size estimates for this sector:

USD Millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	2,150	2,400	2,500
B. Total Local Production	800	835	875
C. Total Exports	250	275	300
D. Total Imports	1,600	1,840	1,925
E. Imports from the U.S.	700	800	900

Exchange Rate Used: US\$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 9

SECTOR NAME: AUTOMOTIVE PARTS/SERVICE EQUIPMENT

ITA INDUSTRY CODE: APS

Increased consumer demand in the 1990s and Turkey's Customs Union agreement with the EU drove rapid growth of automotive production in Turkey, which originated as an assembly industry in the 1950s. The promising local market and surrounding export markets, including the CIS, Central and Eastern Europe and the Middle East, attracted companies from the Far East to set up production in Turkey. Toyota was the first investor followed by Hyundai, Honda, Nichimen-Kia and Mazda. While all these firms shared the risk of a new investment with local partners, General Motors was the first international firm to invest fully its own capital and currently produces Opel cars at a plant near Izmir. Presently, there are 16 vehicle producers in the Turkish market, plus five tractor manufacturers. Of the total 16, eleven automakers are joint ventures, four operate under licensing agreements, and one is a fully owned subsidiary of an international automaker.

Motivated by increasing local demand and competition in the market, existing manufacturers have started to increase manufacturing capacities, modernize facilities, improve production and product quality, and begin new model developments. Ford, with its Turkish partner, the Koc Group, has nearly completed a USD 550 million facility, focusing on small and light commercial vehicles. The Overseas Private Investment Corporation (OPIC) is providing political risk insurance for the project.

In addition to local production, Turkey imports 24 different brands of automobiles. According to industry projections, total annual production, including planned facilities, will exceed 1 million units in the early 2000s. However, regional economic crises, and two earthquakes in 1999, which rocked the region where most original equipment manufacturers (OEMs) are located, trimmed annual sales estimates. However, the industry, which is very sensitive to economic developments, is expected to recover in the early 2000s. According to the revised estimates, the domestic market will reach 460,000 units in 2000, a 15 percent increase compared to 1999, and reach 600,000 units in the early 2000s, finally surpassing one million after 2005. Currently, foreign capital in the Turkish automotive sector is estimated to be approximately 40 percent.

The Turkish automotive parts and service equipment sectors developed parallel to the Turkish automotive production. From simple components in the mid-1960s, the sector ascended to produce complex components, with some exceptions, such as spark plugs, carburetors, fuel injection systems, and several transmission parts. The sector provides parts to the existing automobile fleet of 4.8 million units, comprised of 3.6 million passenger cars and 1.2 million commercial vehicles, in addition to the new vehicles introduced to the market each year.

There are over 1,300 companies in the sector, of which a little over 100 are foreign. The domestic market absorbs nearly 70-80% of production and the rest is exported. This sector,

which grew by 117% between 1990 and 1996, has attracted new investments intended to enhance international competitiveness. Turkey's spare parts exporters are expected to increase market share in EU countries as a consequence to Turkey's accession to the EU Customs Union. As Turkey has the lowest labor costs in the EU, analysts anticipate investments in this sector to increase further. However, the sector, which is heavily affected by global crises, still needs time to fully recover. The parts sector supplying the OEM market dropped in concert with the decrease in OEM production. However, aftermarket parts production grew in support of the 4.8 million unit domestic fleet and increasing export markets.

Imports, which still dominate the industry, increased by 25 percent in 1999, compared to 1998. Imports have become cheaper due to the devaluation of the Turkish Lira against other foreign currencies during that period. European suppliers, followed by Japanese, currently dominate the market. U.S. companies can increase market share in catalytic converters; engine bearings; radiators; mufflers; exhaust pipes; spark plugs; some transmission parts, such as CV driveshafts; and service equipment, including 2-4 column lifts, die cabinets, gas analyzers, and electronic test and diagnostic equipment.

The following is the market size for this market:

USD Million	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	3,000	1,725	1,900
B. Total Local Production	2,950	1,475	1,650
C. Total Exports	1,150	1,250	1,400
D. Total Imports	1,200	1,500	1,650
E. Imports from the U.S.	70	90	105

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 10

NAME OF SECTOR: ARCHITECTURAL / CONSTRUCTION / ENGINEERING SERVICES

ITA INDUSTRY CODE: ACE

ACE activity in Turkey slowed down in 1998 and 1999. This contraction stemmed mainly from declining residential investments, part of the overall economic downturn during those years, and from the financial crises in Asia and Russia. As Turkey continues to recover from its economic downturn, several factors will increase opportunities for ACE services. Among these are (1) post-earthquake reconstruction, and (2) the strong comeback and diversification of the tourism industry and related infrastructure in 2000 and beyond.

In 1999, two deadly earthquakes, measuring 7.4 and 7.2 on the Richter scale, hit

northwestern Turkey. The World Bank estimated the economic loss at approximately USD 10 billion. More than USD 5 billion is needed to reconstruct the region's badly damaged residences, office buildings, highways, and local industry.

There are ongoing reconstruction efforts in the earthquake-affected regions near Izmit and Duzce, as well as preparations to decrease the effects of future quakes in the Istanbul region and other major cities. Discussions center on preparedness, emergency response, and upgrading Turkey's inadequate building construction and infrastructure.

In response to the August 17, 1999 Marmara earthquake, the World Bank prepared a Framework Program, providing the GOT with a USD 505 million loan. The Framework Program's objectives include the restoration of living conditions in the Marmara Region, support for the region's economic recovery and the development of an institutional framework for disaster risk management and mitigation. The World Bank-financed Marmara Earthquake Emergency Reconstruction (MEER) effort supports projects that focus on building a sustainable national emergency management response system, including establishing a disaster insurance scheme and improving land use management and building code enforcement. MEER also provides for recovery and reconstruction projects.

Turkey, one of the world's "undiscovered" tourism destinations, is somewhat under-equipped to allow easy access to its natural and historical wonders. While there has been some development of infrastructure to support winter and marine tourism, golf, adventure and Eco-tourism, much more has to be done. Related areas in desperate need of attention are wastewater and solid waste management, energy and transportation infrastructure. The Ministry of Tourism has acknowledged this, and many development projects are underway. Of greatest interest to U.S. ACE service providers are:

- The Mediterranean and Aegean Coastline Tourism Infrastructure Management (ATAK) Project, funded by the World Bank, addresses environmental and infrastructure concerns among over 100 coastal municipalities. Ten municipal "clusters" have been designated priorities.
- The General Directorate of State Airports has development plans for airports throughout the country, including information systems modernization, new terminal buildings, expanded runways and other upgrades. Entirely new airports are also planned.
- A consortium of 7 firms plans to expand Uludag, already Turkey's largest winter ski area, adding 12 hotels, shopping and entertainment facilities, and ski trails and lifts.

In 2000 and 2001, residential construction is expected to expand considerably due to reconstruction and pent-up demand, as the economy recovers and interest rates fall. Non-residential construction has shown a stable growth trend in recent years. After the

earthquake, commercial and industrial investments were postponed in the disaster area, which is one of the main industry zones of Turkey. As with residential construction, 2000 and 2001, will see a sharp increase in activity in construction and restoration of damaged non-residential buildings. Investments in civil engineering are mainly focused on transportation, energy, mining, and are traditionally financed by the public sector.

Projects funded by international institutions like the World Bank, The European Investment Fund, and the Japanese ICF offer the best prospects for U.S. companies. U.S. ACE firms are highly regarded in Turkey, although they face stiff competition from European and Japanese firms. When possible, U.S. firms should consider joint ventures with Turkish firms to take advantage of low Turkish labor costs and local familiarity with bureaucracy.

USD millions	1998 (actual)	1999 (actual)	2000 (estimated)
A. Total Market Size	810	900	1200
B. Total Local Prod.	860	930	1250
C. Total Exports	175	190	250
D. Total Imports	125	160	200
E. Imports from the U.S.	28	32	40

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 11

NAME OF SECTOR: POLLUTION CONTROL EQUIPMENT

ITA INDUSTRY CODE: POL

Turkey's rapid industrialization and the expansion of its cities have created complex environmental problems in public services, water, sewerage, and energy distribution. However, environmental awareness has increased substantially in recent years. European Customs Union membership and Turkey's acceptance as a candidate for full EU membership have given added impetus to addressing environmental issues. The GOT is quickly adopting legislation to conform to EU directives. Turkey will soon offer a wealth of opportunities for U.S. firms with expertise in major environmental projects, as well as for U.S. suppliers of environmental technology, as Turkish enforcement begins to match its stringent laws. Even now, significant opportunities exist. Municipalities and privately owned industrial plants are the main customers for pollution control equipment.

With pollution's growing threat, government agencies and municipalities have launched several projects. Most of the large projects are supported by foreign financing, mainly through the World Bank, the European Investment Bank (EIB), and individual country export credit institutions or commercial lenders. The U.S share in imports of pollution control equipment is less than 15 percent. If the U.S. technological lead in environmental sector is linked to competitive financial packages, the U.S. will increase its market share

considerably.

Air pollution has decreased in many parts of Turkey. Natural gas has replaced coal as the fuel of choice to provide heat in Turkey's major cities, and has significantly cut air pollution. Water pollution is attributable largely to years of uncontrolled commercial and domestic dumping. In response to pressure and funding from various sources, including the World Bank, the government has begun preventive (wastewater treatment plants) and remedial (clean up) projects. Solid waste disposal is also an important problem, particularly in highly populated cities and tourist areas. The systematic and professional treatment required for solid waste management prompted municipalities to collaborate with private firms rather than attempting to deal with the problem on their own.

While many Turkish contractors supply basic pollution control equipment, Turkey must import the more advanced variety. Best sales prospects for air pollution control are filtering and purifying machinery, dust collectors, scrubbers, and process control equipment. For water pollution control, the list includes high capacity pumps, measuring and filtering/purifying equipment and other high-tech equipment. For solid waste management, Turkey needs transportation, handling, and transfer equipment, incinerators, and special treatment facilities for hazardous waste. At present, western European suppliers dominate the pollution control market.

The following are the market size estimates for this sector:

USD millions	1998 (actual)	1999 (actual)	2000 (estimated)
A. Total Market Size	340	400	500
B. Total Local Production	120	140	150
C. Total Exports	40	50	55
D. Total Imports	260	310	405
E. Imports from the U.S.	30	45	60

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

RANK OF SECTOR: 12

NAME OF SECTOR: MEDICAL EQUIPMENT

ITA INDUSTRY CODE: MED

Turkey's demand for medical products and related equipment is expected to continue to grow over the coming years. The vast majority of medical equipment is imported; domestic production remains low despite increases over the last few years. The GOT is encouraging local firm partnerships with foreign companies in an effort to increase growth within the industry. The current total market size for the overall medical equipment sector is approximately USD 650 million, with U.S. share at approximately fifteen percent. The

estimated annual growth rate of imports from the United States is 20 percent. Sophisticated laboratory and computerized equipment and items for nuclear medicine, cardiovascular surgery, x-ray, anesthesia and intensive care are expected to be in particularly high demand.

The private sector is actively expanding its role in the health sector. Capital intensive new medical technologies, such as cardiac catheterization, computed tomography (CT), and megavolt radiation therapy will continue to be purchased by Turkish hospitals. The major suppliers are the United States, Europe, and Japan. The Turkish business community is very receptive to working with U.S. medical firms.

Used equipment has traditionally not been popular. Most of the equipment produced in Turkey is equipment parts. However, demand for used, refurbished equipment has increased over the last few years and is becoming an alternative source for emerging distributors and end-users because of lower prices and shorter delivery time. The current Turkish import regulations permit the importation of used equipment, no more than five years old. Equipment between five and ten years old is technically subject to a 50 percent import duty. The importation of anything over ten years old is prohibited. Turkey, a member of the EU Customs Union, assesses no taxes or tariffs on the import and/or export of medical equipment between member countries.

In recent years, the GOT has allocated more funding to health care, substantially improving most of Turkey's health standards. However, healthcare services are inadequate to cope with a rapidly expanding population (currently about 65 million and growing approximately two percent annually). The share of health expenditures in gross national product (GNP) is approximately four percent. One of the World Health Organization's goals is to increase this share to at least 5 percent by year-end 2000.

Two major foreign assistance programs in the healthcare sector are currently under way in Turkey. The World Bank provided a USD 76 million loan as part of the USD 146 million First Health Project (1991-1997), and lent USD 140 million for a USD 200 million Second Health Project (1995-2001). The GOT finances the balance. The pilot provinces under the First Health Project are Ankara, Istanbul, Mugla, Tokat, Sivas, Diyarbakir, Mardin, and Yozgat. The Second Health Project calls for construction of 29 training centers, 14 public health centers, three public health laboratories, three cold storage facilities, and the procurement of 244 cross-country emergency vehicles. The pilot provinces under the Second Health Project are Adiyaman, Agri, Ardahan, Artvin, Batman, Bayburt, Bingol, Bitlis, Elazig, Erzincan, Erzurum, Gumushane, Hakkari, Igdir, Kars, Malatya, Kahramanmaras, Mus, Siirt, Tunceli, Sanliurfa, Sirnak, and Van. U.S. firms may compete for contracts financed by the World Bank.

While most major government tenders still require supplier credit, the GOT also encourages use of the 'Build-Operate-Transfer' (BOT) model as a means of procuring equipment for which funds are scarce. The BOT model calls for the vendor to install and operate the equipment, receive the revenues from the use of equipment, and finally transfer

the equipment at the end of a specified period that covers expenses and profit. Despite generous incentives provided, foreign capital involvement in the Turkish health sector remains modest.

The Turkish Ministry of Health (MOH) is the largest provider of health care in Turkey. Modernization of MOH complexes has begun with improvements to the infrastructure, installation of modern medical technology, and health staff training. Of the country's 1,220 hospitals (with a total bed capacity of 170,000, an average of 4 beds per thousand population) the MOH runs 742, the Social Security Institute for non-public-sector wage earners 116, and the universities 43. The remaining 319 hospitals are run by other semi-autonomous organizations including the Ministry of Defense (42), other ministries (2), state economic enterprises (10), municipalities (8) and the private sector (205).

Effective June 1, 1996, all medical equipment imports are subject to the Turkish Standards Institute (TSE) approval. USFDA approval is regarded as a seal of quality. Medical devices for sale (without restrictions) in the United States may normally be imported for sale in Turkey.

The following are the market size estimates for this sector:

USD Millions	1998 (Actual)	1999 (Actual)	2000 (Estimated)
A. Total Market Size	500	557	650
B. Total Local Production	90	100	110
C. Total Exports	40	43	45
D. Total Imports	450	500	585
E. Imports from the U.S.	75	85	95

Exchange Rate used: \$1 = TL 610,000

Note: The above statistics are unofficial estimates.

BEST PROSPECTS FOR AGRICULTURAL GOODS

Turkey and the United States are important agricultural product trading partners. In 1998 and 1999, the United States exported USD 665 million and USD 485 million, respectively, in agricultural commodities to Turkey. A large portion of the decline was attributed to decreased cotton and tobacco imports, but long-term prospects for the sector, particularly as Turkey lowers its agricultural price supports and non-tariff barriers, remains strong. U.S. imports of agricultural commodities from Turkey, during the same period, were USD 430 million and USD 334 million. Turkey has a fairly developed processed food sector that is, like many bulk commodities, protected by maintenance of high and restrictive import duties. The market is price sensitive and availability of three year GSM-102 and seven year 103 export credit guarantees (totaling USD 390 million in 2000) are critical to U.S. sales.

A USD 350 million GSM-102 program in 1999 financed about half of Turkey's agricultural imports from the United States. U.S. breeding cattle may also present good prospects if the GOT supports development of the livestock sector and prices are competitive with EU cattle.

RANK (USD Values) SECTOR

1	Corn
2	Soybean meal
3	Tobacco
4	Vegetable Oils
5	Soybeans
6	Cotton
7	Tallow
8	Rice
9	Wheat
10	Retail Food Products

AGRICULTURE: TOP TEN SECTORS

(all figures in '000 metric tons)

A. Rank: 1

B. Name of Sector: CORN

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	3,200	3,350	3,600
D. Total Local Production	2,300	2,400	2,500
E. Total Exports	9	10	10
F. Total Imports	917	950	1,100
G. Total Imports from U.S	720	750	900

Although Turkey is a major barley producer, the demand for imported corn is expected to grow significantly in response to the continued rapid expansion of the poultry industry, expansion of both the dairy and beef sectors with an emphasis on improved feeding techniques to boost productivity and significant expansion of both starch and high fructose corn syrup production. A high duty, which has been fluctuating between 30 and 60 percent, constrains imports.

A. Rank: 2

B. Name of Sector: SOYBEAN MEAL

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	491	629	660

D. Total Local Production	88	96	104
E. Total Exports	0	0	0
F. Total Imports	467	540	570
G. Total Imports from U.S	240	310	350

Soybean meal demand is expected to continue to increase in response to growing demand from the poultry industry, which is expanding at a rate of eight to ten percent per year. Full fat soymeal is becoming very popular among local poultry producers. A number of companies have installed or are in the process of installing new crushing facilities. Protein meal consumption will increase at a faster rate, when high quality breeder livestock is imported in larger numbers.

A. Rank: 3

B. Name of Sector: TOBACCO

	1997 (actual)	1998 (actual)	1999 (estimated)
C. Total Consumption	110	110	110
D. Total Local Production	245	217	196
E. Total Exports	161	160	128
F. Total Imports	45	37	42
G. Total Imports from U.S	32	22	24

Historically, tobacco has been among the most valuable agricultural import and export commodities between Turkey and the United States (1998 imports from U.S. reached USD 137 million and exports to the U.S. were USD 293 million). Turkey is a major producer and exporter of semi-oriental tobacco, but grows little burley or flue-cured tobaccos. As Turkish smoking tastes change from traditional oriental blend cigarettes to American blends, consumption and imports of non-oriental tobaccos have increased. The United States is Turkey's major tobacco supplier, but has lost market share to lower quality and lower priced competitors.

A. Rank: 4

B. Name of Sector: VEGETABLE OILS (incl. SOYOIL)

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	1,103	1,119	1,184
D. Total Local Production	940	842	970
E. Total Exports	204	155	195
F. Total Imports	357	393	413
G. Total Imports from U.S	82	93	96

Despite a large cotton crop and significant sunflower seed and olive production, oilseed

production is not sufficient to meet domestic and export demand. As a result, Turkey imports large quantities of crude vegetable oils (sunflower oil, corn oil, and soyoil) to refine for domestic consumption or for growing exports, particularly as shortening. Markets include the Middle East, Russia, the NIS, plus North Africa. The United States is the largest corn oil supplier.

A. Rank: 5

B. Name of Sector: SOYBEANS

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	382	415	460
D. Total Local Production	50	60	65
E. Total Exports	0	0	0
F. Total Imports	342	360	400
G. Total Imports from U.S	242	260	300

Soybean demand will continue to grow due to the swelling demand for protein meals utilized by the poultry and livestock industries. The industry has invested in modern crushing facilities and is seeking to expand capacity. A rising awareness of the soybean's utility in "healthy foods" is also driving demand in Turkey. The food-processing sector is becoming more aware of how soybean products can be used in many new food items.

A. Rank: 6

B. Name of Sector: COTTON

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	1,000	1,150	1,150
D. Total Local Production	840	840	840
E. Total Exports	79	40	40
F. Total Imports	248	350	330
G. Total Imports from U.S	111	70	120

Turkey's textile industry remains important to the economy but experienced a marked decline in late 1998. Economic recessions in Russian and other major markets, coupled with an influx of less expensive Asian fabrics, decreased cotton consumption. Also, some buyers shifted to less expensive sources. Imports of U.S. cotton started to pick up again in late 1999. Turkey generally exports cotton early in the season (due to imperfect markets and to minimize carrying costs) and imports cotton later in the season to optimize production. Turkey is expected to remain a significant importer, even after production in the Southeastern Anatolian Project (GAP) comes on line.

A. Rank: 7

B. Name of Sector: INEDIBLE TALLOW

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	170	170	170
D. Total Local Production	10	10	10
E. Total Exports	1	1	1
F. Total Imports	168	110	110
G. Total Imports from U.S	168	110	110

Turkey's import demand for inedible tallow has increased substantially since 1995 and there has been a sizeable increase in processing capacity for soaps. However, the Russian economic crisis plus other world economic problems appears to be temporarily restraining tallow product exports. Turkey's markets include the traditional Middle Eastern and North African markets, as well as newer markets in the Former Soviet Union and Eastern Europe.

Turkey can be an important tallow repacking and transshipment point for these markets. In addition, some types of tallow (yellow grease) have potential as a feed ingredient.

A. Rank: 8

B. Name of Sector: RICE

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	500	500	500
D. Total Local Production	230	220	220
E. Total Exports	1	0	0
F. Total Imports	287	250	275
G. Total Imports from U.S	117	100	120

Turkey is an important market for U.S. rice, although the market has been declining since it peaked at 350,000 tons in 1995. Calrose is the main type imported, but smaller amounts of long grain southern rice also are available. The Turkish market is price sensitive and the Turkish preference for U.S. rice is a matter of value. Recently, shortages of California rice prompted the industry to source its rice from other suppliers, but U.S. rice can regain the market if it is price competitive. Some importers have set up offices in California to establish direct relationships with producers.

A. Rank: 9

B. Name of Sector: WHEAT

	1998 (actual)	1999 (actual)	2000 (estimated)
C. Total Consumption	18,000	16,500	17,500
D. Total Local Production	16,800	17,000	17,250

E. Total Exports	2,626	1,500	1,500
F. Total Imports	2,004	1,300	1,300
G. Total Imports from U.S	47	46	100

Turkey is an important wheat producer but in past years was a minor wheat exporter. However, with increased production, Turkey has exported between 1.5 and 1.4 million tons for the last two calendar years. The flour and pasta industries were booming, but exports were constrained by the economic downturn in nearby countries and the GOT's policy of maintaining high support prices along with a fifty five percent duty on imports. In recent years, quality problems have led Turkey to import significant quantities of better quality wheat, particularly protein wheat, to blend with local wheat and improve its flour quality. U.S. wheat faces increased competition from suppliers in neighboring countries like Kazakhstan and other sources including Australia and Canada.

A. Rank: 10

B. Name of Sector: RETAIL FOOD PRODUCTS

Turkey has a fast-growing, modernizing food sector. The retail food market is estimated at USD 21 billion, with another USD 20 billion in the food processing sector, and an additional USD 5.6 billion in the hospitality, restaurant, and institutional food sector. Opportunities exist for quality products that are well promoted and placed, as American tastes and styles are greatly admired and sought out by a young population. Increasing incomes, urbanization, more women working outside the home, and increasing tourism all are driving the growth in hyper-and supermarkets and in more meals based on prepared foods or taken at restaurants, away from the home. Annual expenditures on processed foods are about USD 270 per person and growing at 6% per year. Annual expenditures on food service (excluding alcohol) reached USD 140 in 1998, with fast food, catering, and hotels/resorts capturing (in that order) more and more of those expenditures, away from the traditional Turkish restaurants' market share.

SIGNIFICANT INVESTMENT OPPORTUNITIES

Telecommunications Value Added Services/Revenue Sharing/Licensing Investment Opportunities:

Turk Telekom (TT)'s policy is to implement value added services on a revenue-sharing basis. Currently, TT has revenue-sharing contracts with international firms for V-sat services, IBS services, TURPAK package switching data network services, and Internet subscription services. Other opportunities exist in satellite communications, GSM cellular services, PCS, paging, pay phones, directory services, and interactive TV.

The revenue-sharing system works as follows: companies offer TT a percentage of the revenue to be obtained as a result of a value added service. The company offering TT the

must lucrative package wins. (Most of the shares offered Turk Telekom in the past for other value-added services exceeded 50 percent.) The winning firms are responsible for establishing the network, operation, marketing, etc. Turk Telekom may provide buildings and/or land, may support the operation with its personnel, and may provide billing and collection of the revenues.

Power Sector—BOT/BO Power Projects:

Major opportunities exist in autoproducer/cogeneration, renewable energy, and hydropower projects as well as in the privatization of existing power plants. Currently, more than 4 BO and BOT projects are being negotiated by U.S. firms, with an investment value of exceeding USD 7 billion. The GOT is in the process of privatizing eight thermal power plants with an additional two to follow.

The Turkish Electricity Generation and Transmission Company (TEAS) maintains over 25 thermal and over 30 hydro power plants with a total installed capacity of over 25,000 MW, and may move to privatize some of these as well. The privatization of distribution lines on a regional basis is also underway, for which 15 regional concession contracts will be issued.

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, American firms that have operations abroad sell 60 percent of U.S. exports. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations, and business facilitation programs, that support U.S. investors.

Southeastern Anatolia Project (GAP):

The GOT is actively seeking increased trade and investment with the U.S. business community, especially in the Southeastern Anatolian Project (GAP) region. The GAP is a massive USD 32 billion public project to harness the power and potential of the upper reaches of the Tigris and Euphrates rivers and to irrigate the fertile plains that lie between them. When completed in 2010, 22 dams and 19 hydroelectric power plants will produce approximately 22 percent of Turkey's projected electricity requirements. But the Southeastern Anatolian Project encompasses more than dams and tunnels. The purpose of the GAP is to eliminate disparities in the levels of development existing between this region and other regions of Turkey by raising incoming levels and living standards of the people who live in Southeastern Turkey. By focusing development efforts on this integrated project, the GOT has created an enormous opportunity for American businesses interested in agribusiness, food processing, textiles, energy, mining, transportation and a variety of services.

CHAPTER VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS: TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES

Turkey formed a customs union with the European Union on January 1, 1996. In conjunction with this, Turkey adopted a new import regime, which applies the EU's common external customs tariff (CCT) for most third country imports zero duty rates for non-agricultural items of EU/EFTA member countries (including Israel, Hungary, Romania, Lithuania, Estonia, Latvia, the Czech Republic, Slovenia, Bulgaria, and Macedonia. Negotiations with Poland, Morocco, Tunisia, Egypt, Malta and the Palestinian Authorities continue.) The current import regime (2000) is organized in five chapters that list more than 20,000 items, identified with 12 digit harmonized system numbers.

The Customs Union covers only industrial and processed agricultural products. Traditional agricultural products are outside the scope of the Customs Union. Concerning processed agricultural products, the parties have agreed on the establishment of a system in which Turkey would differentiate between agricultural and industrial components of the duties applied on these products, similar to the model applied in the Community.

The main characteristics of the Customs Union are that goods move freely between the EU and Turkey without being subject to customs duties or quantitative restrictions. In line with the Customs Union, Turkey has eliminated all customs duties and charges having equivalent effect, as well as quantitative restrictions applied on imports of industrial products from the European Community. For products imported into Turkey from third countries, Turkey applies the rates of protection specified in the Community's common customs tariff, except for those products classified as sensitive. Customs duties on sensitive products will be gradually eliminated over a period of five years.

The GOT estimates that as a result of its accession to the European Customs Union, the average duty rate for imports from the European Union and EFTA countries has dropped from approximately ten percent to zero. For products imported from third countries, including the United States, the average duty rate has dropped from ten percent to around five percent. Turkey has reserved some exempted categories for sensitive products with tariffs on these items generally much higher than the CCT. Some agricultural goods will remain protected by steep tariffs until the next WTO round is concluded. When the European Union applies further Uruguay Round reductions, Turkey's average rates for the third countries (including the U.S.) will be lowered to 3.5 percent.

Turkey is a member of GATT/WTO and regulates its customs practices in line with GATT requirements. In 1989, Turkey, along with the United States, converted to the new GATT Harmonized System. While generally in compliance with the WTO agreement, Turkey appears to have exceeded its annual export subsidy limits for sugar and is on the verge of exceeding its limits for wheat. Maintenance of high import duties on agricultural products,

while consistent with WTO obligations, is not consistent with the spirit of the WTO agreement. Application of non-tariff barriers also poses problems for agricultural products such as wheat and bananas.

CUSTOMS VALUATION

Import duties are calculated exclusively on C.I.F. prices. Importers are responsible for paying the VAT. The VAT is calculated on a C.I.F. basis plus duty rate and any other applicable charges levied before the goods clear customs. It has a ceiling of 23 percent; however, most industrial products are charged a rate of 15 percent. VAT is also charged for locally produced goods. Capital goods, some raw materials, imports by government agencies and state owned enterprises, and products for investments with incentive certificates are exempt from import fees.

IMPORT LICENSES

The 1996 Turkish import regime abolishes the requirement that every importer needs an import license and that the importer must obtain an import authorization from a bank. An importer only needs a tax number to import all but restricted items, e.g., firearms, hazardous materials, etc., which can be imported only by authorized establishments, or for which the approval of the Directorate General of Security is required. Agricultural imports, though, often do require import licenses and control certificates, which are issued by the Ministry of Agriculture and Rural Affairs.

EXPORT CONTROLS

The export of sensitive and dual-use materials covered by various international non-proliferation agreements and arrangements to which Turkey is a party, is controlled by a two-tier mechanism which involves licensing by the Ministry of National Defense (MND) and registration by the Undersecretariat for Foreign Trade (UFT) through the appropriate exporters' union. Law No. 3763, of 1940, "The Control of Private Industrial Enterprises Producing War Weapons, Vehicles, Equipment and Ammunition," requires a MND license for the export of all weapons and ammunition as well as the materials used for the production of weapons and ammunition. Sporting and hunting rifles are exempt from MND licensing. The second tier, UFT control via registration, was created via Decree number 95/7623 in December 1995. As a part of the over all process, MND consults with UFT regarding proposed sales.

All exporters are required to be a member of one of the 13 exporters' unions in Turkey. Sensitive goods, technology and dual-use materials are registered by the Istanbul Metals and Minerals Exporters' Union (IMMIB) thereby creating a centralized mechanism monitoring the export company, product, quantity, and value. It is IMMIB that determines whether the intended export items require MND licensing and provides the UFT registration. It is UFT's role to draft the general export policies and to monitor and control

the overall process.

IMPORT/EXPORT DOCUMENTATION

Turkish documentation procedures follow the European Union system. A commercial invoice, a certificate of origin and a bill of lading or airway bill, depending on the method of shipment used, must accompany all commercial shipments. Phytosanitary certificates are necessary for food and agricultural commodity imports

Commercial Invoice: The commercial invoice must be submitted in triplicate, including the original copy; and must contain a complete description of the goods and all required payment terms. The original must be endorsed by the exporter as follows: "We hereby certify that this is the first and original copy of our invoice, the only one issued by our firm for the goods herein mentioned." The Turkish Embassy or Consulate in the United States must certify the document. At least one copy of the invoice should travel with the goods, and the original should be sent to the importer through the correspondent bank.

Certificate of Origin: The certificate of origin is to be prepared in duplicate. No corrections are permitted on this document, which is to be prepared in English by a local chamber of commerce. The certificate of origin must be certified by the Turkish Embassy or Consulate in the United States. One copy of the document must be surrendered to the customs authorities at the time of importation.

Bill of Lading: Details in the bill of lading should correspond exactly to those given in other shipping documents.

Proforma Invoices: The proforma invoice must not be more than six months old at the time of application. It must contain an unexpired option (if appropriate), indicate freight and insurance charges separately, and bear the importer's name.

TEMPORARY ENTRY

Goods may be temporarily imported into Turkey without payment of duties and tax if they are to be used in the production or manufacture of a product that is to be exported. The importer gives security in the form of a bank guarantee in the amount of applicable duties and taxes. Upon exportation of the finished product, the guarantee is released. Temporary admission of goods intended for re-export in their original form is permissible free of import duties and taxes with the approval of the Undersecretariat for Foreign Trade.

Books, newspapers, magazines, catalogs, pamphlets, brochures, and similar advertising materials are exempt from customs duty. Samples of no commercial value are admitted duty free.

Samples with commercial value may be imported into Turkey under the temporary

importation system. For samples imported under this system, the customs authorities require a letter of guarantee. The letter of guarantee should be prepared to reflect the value of the samples as if they were actually being imported. At the end of the temporary importation period, generally six months and extendible for another six months, or when the samples are re-exported, the letter of guarantee is returned by the customs authorities.

U.S. traders may also wish to consider a more simplified procedure in the form of an "ATA Carnet." Carnets are international customs documents permitting the holder to temporarily import products as samples without paying customs duties or posting bonds. Virtually all goods, personal and professional, including commercial samples, professional equipment, goods intended for use at trade shows and exhibitions, computers, tools, cameras and video equipment, industrial machinery, automobiles, apparel and even jewelry are covered under a carnet.

The reader may wish to check the "General List" to see if the goods are covered by ATA Carnet guidelines or call the Carnet-Help-Line at (800) 5-DUTYFREE or visit the web site www.uscib.org for clarification. Normal processing of an ATA Carnet is five working days; expedited service is available at an extra charge. In the United States, carnets are sold by the U.S. Council for International Business at the following locations: New York, NY, (212) 354-4480; Long Beach, CA, (310) 420-2777; Schaumburg, IL, (708) 490-9696; San Francisco, CA (415) 956-3356; Miami, FL (305) 592-6929; Timonium, MD (301) 561-0438; Boston, MA (617) 737-3266; and Houston, TX (713) 847-5693.

LABELING, MARKING REQUIREMENTS

All packages, cases, and bales must bear shipping marks, numbers, dimensions, and the gross weight of the merchandise. Packages along with accompanying bills of lading for goods to be shipped through Turkey must be marked "In Transit." All goods entering Istanbul or any other entry port in Turkey (Ankara, Iskenderun, Izmir, Mersin, Sinop, Samsun, and Trabzon) will be cleared through customs, and full payment of duty will be required unless the packages and bills of lading are marked "In Transit." If so marked, the goods may be cleared for entry and reshipment.

PROHIBITED IMPORTS

Products currently prohibited include weapons and narcotics. However, under certain conditions the Ministry of the Interior, Security General Directorate will provide clearance to import shotguns, hunting rifles, and explosives.

STANDARDS

The metric system is used for weights and measures. Electrical current is 220 volt, 50 cycles. Time in Turkey is seven hours ahead of Eastern Standard Time. Daylight Savings Time is used from April through October.

The Turkish Standards Institution (TSE), established in 1954, sets standards in Turkey and keeps abreast of standards in other countries. TSE, an accredited agency in international markets, issues standards certificates. Almost all major companies seek TSE's certification for their products and services. This certificate helps to ensure manufacturers fair competition and ensures the customer of the quality of goods purchased. Correspondence to the TSE should be addressed as follows:

Türk Standartlar Enstitüsü (TSE)
Necatibey Caddesi 112
Standard Hazırlama Başkanlığı
06100 Bakanlıklar
Ankara, Turkey
Tel: [90] (312) 417-0020
Fax: [90] 425-4399
Web site: www.tse.org.tr

As of June 2000, Turkey has around 15,563 standards, 95 percent of which are compatible with ISO/IEC standards. Turkey ranks third among European countries in terms of number of standards. Around 1,116 of the 15,563 standards are obligatory. The obligatory standards cover goods ranging from foodstuffs to medical equipment. Importers must receive TSE approval on imports of goods covered by obligatory standards. About 250 foreign companies, including Chrysler, Hitachi, General Electric, Philips, and Siemens, that export their products to the Turkish market have received TSE certificates for more than 800 products.

Following Turkey's resolution to implement the ISO 9000 Quality Management Standards in 1988, the TSE prepared the compatible TS-EN-ISO 9000 Turkish standards. Currently, 1,378 companies have been issued TS-EN-ISO 9000 certificates.

SPECIAL IMPORT PROVISIONS

There are a number of other products that can only be imported by specific GOT agencies or pre-approved organizations. Alcohol can only be imported by the government monopoly enterprise, TEKEL. Private traders may import wine through TEKEL only for use in hotels and restaurants. Cigarettes can only be imported by TEKEL and cigarette producers who are permitted by the government under a special decree (such as Philip Morris, RJ Reynolds, British Tobacco, etc.). X-ray film can only be imported by the Red Crescent Association (similar to the Red Cross). Precious metals and stones, excluding diamonds, can only be imported by commercial banks authorized by the Central Bank (Decree No. 93/4143, March 21, 1993).

Importing products such as pharmaceuticals; organic chemicals, especially those used to produce medicines and medical products; vaccines for both human beings and animals;

cosmetic products; chemicals used in cleaning and the food industry; live animals and plants; grains and plant seeds; and hormones require import permission certificates from the Directorate General of Curative Care Service of the Ministry of Health and Agriculture.

Products requiring after-sales service such as motor vehicles, household electrical goods, office equipment and computers, cash registers, TV and video equipment, heaters, gas-fired burners, lathes, automobiles, and wireless equipment require an import permit from the Ministry of Industry and Commerce. In order to obtain such a permit, importers must guarantee that they will provide service and spare-parts in each of Turkey's seven geographic regions, either by establishing offices or by signing agreements with existing service/parts firms.

Telecommunications equipment such as automatic data processing machines, electrical apparatus for line telephony or telegraphy, and telephone answering machines need type-approval of the Turkish telecommunications authority (Turk Telekom); all wireless equipment also requires approval from the Directorate General of Wireless Affairs (TGM).

Under a regulation published in the Turkish Official Gazette of February 1, 1996 (No. 22540-supplementary issue) which discusses certain compulsory standards for about 70 products, importers are required to obtain a control certificate from the Ministry of Environment for materials considered detrimental to the environment. Such materials include hard coal, lignite, petrocake, petroleum, arsenic, mercury, lead sulfides and carbonates, fluorocarbons, various assets of other chemicals and scrap metals.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

The EU confirmed Turkey's status as an EU candidate status in December 1999, and Turkey has begun to reap the benefits of its 1996 customs union agreement with the EU, particularly in terms of improved economic efficiency. The customs union commits Turkey to adopt the EU's common external tariff and a commercial policy "substantially similar" to that of the EU, including adoption of the EU's preferential trade regime with third countries. Turkey has already signed Free Trade Agreements with the EFTA member countries and is in the process of finalizing agreements with the other EU applicant countries.

Turkey is a founding member of the Black Sea Economic Cooperation (BSEC) in which the governments of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and the Ukraine are nurturing multilateral cooperation among the members on a number of issues including trade. Turkey, along with Pakistan and Iran, is a founding member of the Economic Cooperation Organization (ECO). ECO, whose membership beyond the founders includes Afghanistan, Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan and Kazakhstan has had limited success in improving trade cooperation. Turkey is a founding member of the Southern Europe Cooperative Initiative (SECI), a regional association aimed at encouraging cooperation among its

member states on a variety of issues including customs, transportation and anti-crime efforts. SECI member states include Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Moldova, Romania, Slovenia and Turkey.

CHAPTER VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

Turkey has been pursuing liberal and outward-oriented economic policies since the mid-1980s. The GOT views foreign direct investment as vital to the country's economic development and prosperity. Accordingly, on paper Turkey has one of the most liberal investment regimes of the OECD. Almost all areas open to the Turkish private sector are also fully open to foreign participation and investment. While GOT policies do not discriminate against foreign investment, as is the case in many nations, all companies – regardless of ownership – are subject to the political uncertainties, excessive bureaucracy, and sometimes unclear legal environment that prevail in Turkey, although the reforms described above will reduce the severity of the problems. For instance, although the GOT strongly supports new foreign investment in Turkey's energy sector, successive court rulings have delayed many projects for years. As a result, aggregate foreign direct investment in Turkey from 1980-1999 totaled only slightly more than USD 12 billion. The new Turkish policies on international arbitration and supporting legislation have helped to address this problem.

Regulations governing foreign investment are, in general, transparent. A 1954 law on foreign investment (Law No. 6224) was substantially modified and liberalized by a 1995 Decree (Decree No. 95/6990) and associated communiqué. (The text of regulations governing foreign investment and incentives can be obtained on the internet at: www.treasury.gov.tr/english/invest.htm. A summary of these regulations can be found at: www.foreigntrade.gov.tr/english/doingbuss/igeme

The General Directorate of Foreign Investments of the Undersecretariat of the Treasury screens foreign investments. Treasury has refused permission for a number of small investments because the activity involved was deemed to constitute retail trade rather than investment, or because of security concerns about the individual investors. Screening mechanisms are routine and non-discriminatory. They have not limited competition, protected domestic interests, or served as an impediment to serious investment. However, because domestic investment proposals are not routinely screened, foreign investors are not accorded national treatment in the pre-establishment phase.

Turkish law specifies several other requirements for foreign investors. Real or legal persons resident abroad must invest a minimum of USD 50,000 to establish a corporation, become partners in an existing company, or open a branch office. Foreign investors

wishing to increase their capital must seek permission from Treasury if the capital increase would change the participation ratio between the foreign investor and any local partners. Turkish companies are required to register with Treasury any licensing, management, or franchising agreements concluded with foreign persons. Foreign investors owning ten percent or more of a company established in Turkey must inform Treasury of their participation in any directors' or shareholders' meetings. As with pre-establishment screening, these requirements have not served to impede investment.

Foreign investors are subject to restrictions on establishment in certain sectors. Establishment in financial services, including banking and insurance, and in the petroleum sector requires special permission from the GOT. The equity participation ratio of foreign shareholders is restricted to 20 percent in broadcasting, and 49 percent in aviation, value-added telecommunication services, and maritime transportation. However, companies receive full national treatment once they are established.

The GOT privatizes State Economic Enterprises through block sales, public offerings, or a combination of both. Foreign investors receive national treatment in privatization programs.

CONVERSION AND TRANSFER POLICIES

Turkish law guarantees the free transfer of profits, fees and royalties, and repatriation of capital. This guarantee is reflected in Turkey's Bilateral Investment Treaty with the United States, which mandates unrestricted and prompt transfer in a free usable currency at a legal market clearing rate for all funds related to an investment. There is no difficulty in obtaining foreign exchange. There are no limitations on the inflow or outflow of funds for remittances.

EXPROPRIATION AND COMPENSATION

Under the 1990 Bilateral Investment Treaty with the United States (codifying existing Turkish law), expropriation can only occur in accordance with international law and due process. Expropriations must be for public purpose and non-discriminatory. Compensation must be reasonably prompt, adequate, and effective. Under the Bilateral Investment Treaty, U.S. investors have full access to the local court system and the ability to take the host government directly to third party international binding arbitration to settle investment disputes. There is also a provision for state-to-state dispute settlement.

As a practical matter, the GOT occasionally expropriates private property for public works or for State Enterprise industrial projects. The GOT agency expropriating the property negotiates and proposes a purchase price. If the owners of the property do not agree with the proposed price, they can go to court to challenge the expropriation or ask for more compensation.

DISPUTE SETTLEMENT

CS Turkey is aware of two disputes involving the GOT. There are no outstanding expropriation or nationalization cases.

There have been a number of cases in which local non-governmental organizations challenged in court GOT decisions on foreign investments. These sometimes politically motivated court cases have affected the foreign investors indirectly by delaying necessary approvals, impeding the obtaining of financing, or postponing operations. For example, a 1998 case in which a NGO challenged the government's issuance of a construction permit resulted in a court-ordered injunction on further construction by the foreign investor, which was still in force in June 1999.

Turkey's legal system provides effective means for enforcing property and contractual rights. There is no government interference in the court system. The court system is overburdened, however, sometimes resulting in slow decisions and judges lacking sufficient time to grasp complex issues. Judgments of foreign courts need to be reconsidered by local courts before they are accepted and enforced. Turkey has written and consistently applied commercial and bankruptcy laws. Monetary judgments are usually made in local currency, but there are provisions for incorporating exchange rate differentials in claims.

Turkey is a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention, and is a signatory of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Turkey ratified the Convention of the Multinational Investment Guarantee Agency (MIGA) in 1987.

In most cases, The GOT accepts binding international arbitration of investment disputes between foreign investors and the state; this principle is enshrined in the U.S.-Turkey Bilateral Investment Treaty. The exceptions are in "concessions" involving foreign investment in public services. According to Article 155 of the constitution, the "Danistay" or High Administrative Court controls concessionary contracts. Because the Danistay is the final arbiter in concession contracts, the Turkish legal system does not recognize the validity of third-party arbitration on investment disputes concerning concessions. In August 1999, the Parliament passed a package of amendments to the Constitution allowing foreign companies access to international arbitration. By April, the GOT completed implementing legislation, which will allow companies to decide whether to add arbitration clauses in existing energy contracts or to officially designate them as commercial contracts not governed by concessions. The GOT will make final decisions of contract terms in the summer of 2000.

PERFORMANCE REQUIREMENTS / INCENTIVES

Turkey is a party to the WTO Agreement on Trade Related Investment Measures (TRIMS).

Turkey provides a variety of investment incentives to both domestic and foreign investors. These include corporate tax exemptions, with up to 100 percent of specified investment expenses – 200 percent for investments over USD 250 million – deductible from future taxable profits; exemptions from value-added taxes for machinery and equipment purchased locally or imported for the investment; duty-free import of machinery and equipment (though not raw materials or intermediate goods) to be used in the investment; and soft loans for research and development investments. Investment incentives are clearly specified in regulations (a government decree issued March 25, 1998, and a related communiqué dated May 6, 1998).

In order to take advantage of investment incentives, an investor must obtain an “incentive certificate” from the Treasury. The size of the incentive depends upon the geographic location, sector, and value of the investment. Investment incentives are greater in the less-developed “priority” and “normal” areas or sectors, and eligibility depends on a minimum value. According to the current incentive regime, a minimum fixed investment of 25 billion TL (approximately USD 61,000 in June 1999) is required for priority regions and 50 billion TL (approximately USD 123,000 in June 1999) for other regions.

The GOT has introduced several special investment incentives for the east and southeast of Turkey. For example, new investments made in these provinces before the end of 2000 are exempt from corporate and income taxes for five years, investors can receive substantial discounts on electricity payments, and state-owned banks will provide reduced rate loans for industrial or employment producing investments.

There are no performance requirements imposed as a condition for establishing, maintaining, or expanding an investment. There are no requirements that investors purchase from local sources or export a certain percentage of output. However, domestic or foreign investors who commit to realizing USD 10,000 of exports upon completion of the investment may be exempt from certain fees and taxes, such as those related to land registration or company establishment. Investors’ access to foreign exchange has no relation to exports.

There are no requirements that nationals own shares in foreign investments, that the shares of foreign equity be reduced over time, or that the investor transfer technology on certain terms.

There are no government imposed conditions on permission to invest, including location in specific geographical areas, specific percentage of local content – for goods or services – or local equity, import substitution, export requirements or targets, employment of host country nationals, technology transfer, or local financing.

The GOT does not request that investors disclose proprietary information, other than

publicly available information, as part of the regulatory approval process. Enterprises with foreign capital must send their activity report, submitted to the general assembly of shareholders, auditor's report, and balance sheets to the Treasury's Foreign Investment Directorate every year by May.

Turkey grants all rights, incentives, exemptions and privileges available to national capital and business to foreign capital and business, on a MFN basis. American and other foreign firms can participate in government financed and/or subsidized research and development programs on a national treatment basis.

There are no discriminatory or excessively onerous visa, residence, or work permit requirements inhibiting foreign investors. There is no limitation placed on the assignment of expatriates as managers or technical staff.

Turkey has a liberal foreign trade regime. There are no discriminatory or preferential export or import policies affecting foreign investors. However, several foreign construction equipment manufacturers, including an American company, have reported that their new, zero-time equipment has been denied entry into Turkey from established free trade zones. Entry denial does not appear to target any particular company or nation, but rather appears to be a non-tariff trade barrier intended to protect local manufacturers.

Turkey harmonized its export incentive regime with the European Union in 1995, prior to the start of the Customs Union. Turkey currently offers a number of export incentives, including credits through the Turkish Eximbank, energy incentives, and research and development incentives. Cash incentives for exporters have been eliminated. Foreign investors can participate in these export incentive programs on a national treatment basis. More information on Turkey's trade regime can be found at www.foreigntrade.gov.tr.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Foreign and domestic private entities have the right to freely establish and own business enterprises and engage in all forms of remunerative activity. As noted above, restrictions exist in the establishment of firms in certain sectors where the share of foreign ownership is limited to 20 percent in broadcasting and up to 49 percent in aviation, maritime transportation, and value-added telecommunication services. Certain activities are reserved for GOT owned enterprises. For example, by law, Turk Telekom has a monopoly until December 31, 2003 on providing basic telephone services, and Tekel has a monopoly on the production of distilled spirits. Beyond these areas, private entities may freely establish, acquire, and dispose of interests in business enterprises, and foreign participation is permitted up to 100 percent.

However, non-resident investors in companies with foreign capital must seek permission from the Treasury prior to selling part or all of their shares to real or legal persons resident in Turkey. Treasury approval is not required for sales to other foreigners or for sales of

securities or capital market instruments through a financial intermediary.

Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations. Turkey is adopting the EU's competition policy; a Competition Board was established in 1997 to implement the 1994 competition (anti-monopoly) law.

PROTECTION OF PROPERTY RIGHTS

Secured interests in property, both chattel and real are recognized and enforced. There is a recognized and reliable system of recording such security interests. For example, there is a land registry office where real estate is registered. Turkey's legal system protects and facilitates acquisition and disposal of all property rights – land, buildings, and mortgages.

Turkey's legal system adequately protects most property rights of foreign investors, without discrimination. Deficiencies remain in Turkey's protection of intellectual property (IP) rights, however. Turkey is on the "Priority Watch List" of countries that fail to provide adequate and effective protection for American firms' IP rights, as specified under the "Special 301" provisions of the 1988 Trade Act.

In 1995, as part of Turkey's harmonization with the EU in advance of a customs union, the Turkish parliament approved new patent, trademark and copyright laws. Turkey also acceded to a number of multilateral intellectual property rights (IPR) conventions. Although the new laws provide an improved legal framework for protecting IPR, they require further amendments to be consistent with the standards contained in the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The government has declared that it intends to have a TRIPS-compatible IPR regime in place in 2000 and has volunteered for a WTO TRIPS review in the second half of 2000.

Copyrights: The 1995 amendments to Turkey's 1951 copyright law significantly improved protection for books, videos, sound recordings, computer programs, and other copyright protected media. In 1996, Turkey acceded to the 1971 Paris Act of the Berne Copyright Convention. The government has drafted legislation that would further amend the existing law to provide retroactive copyright protection, add handicrafts and photographs to the list of protected items, and include deterrent penalties (increased fines and prison sentences) against piracy. The draft amendments were under consideration by parliament as of July 2000.

Patents and other industrial property: Turkey's 1995 patent law replaced a law originally passed in 1879. New trademark, industrial design, and geographic indicator laws were passed at the same time, completely revamping Turkey's foundation for industrial property protection. Turkey also adhered to a number of international conventions in 1995, including the Stockholm Act of the Paris Convention, the Patent Cooperation Treaty, and the Strasbourg Agreement. The Turkish Patent Institute (TPI) was established in 1994 as

an independent legal entity (Law No. 4004, June 16, 1994) under the Ministry of Industry and Trade. TPI's mission is to support technological development in Turkey, establish and protect intellectual property rights and provide public information on intellectual property rights. Currently, TPI is understaffed to affect countrywide protection.

In accordance with the 1995 patent law and Turkey's agreement with the EU, patent protection for pharmaceuticals began on January 1, 1999. Turkey has been accepting patent applications since 1996 in compliance with the TRIPS agreement "mailbox" provisions. The patent law does not, however, contain interim protection for pharmaceuticals in the R&D "pipeline."

TRANSPARENCY OF THE REGULATORY SYSTEM

The GOT has adopted policies and laws, which in principle should foster competition and transparency. The government in principle follows competitive bidding procedures. Tax, labor, health and safety, and other laws and policies do not distort or impede investment.

Bureaucratic procedures related to the establishment of a foreign investment are, in general, transparent. On paper, Turkey's foreign investment regime is among the most liberal in OECD countries. However, particularly beyond the establishment phase, bureaucratic "red tape" remains a significant problem. Obtaining the approval of both national and local officials for essential permits is a time consuming and often frustrating process.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Turkey's financial system and policies facilitate the free flow of financial resources. Foreign investors are able to get credit on the local market. The private sector has access to a variety of credit instruments. Legal, regulatory and accounting systems are transparent and consistent with international norms.

There is a regulatory system established to encourage and facilitate portfolio investments. The Istanbul Stock Exchange, formed in 1986, is becoming one of the major players in the capital market. As of mid-1999, 268 companies were listed on the exchange. The Capital Market Board is responsible for overseeing the activities of capital markets.

Commercial credit in Turkey is allocated according to market terms. However, because of high local borrowing costs (real interest rates can exceed 40 percent) and short repayment periods, both foreign and local investors frequently seek credit from international markets to finance their activities. In addition, the GOT's continued offer of subsidized loans to farmers, small and medium-sized enterprises, and for certain mortgages distorts Turkish money markets. There are approximately 62 commercial banks (including 20 foreign banks) and 19 development or investment banks operating in Turkey. Total sectoral assets reached approximately USD 130 billion, or 55 percent of GNP, at year-end 1999. The four state-owned commercial banks and the top six privately capitalized banks hold about 67

percent of total assets.

The banking sector passed through a serious crisis in 1994, during which three small banks failed. The banking system has since recovered, but still faces difficulties given over reliance on income from treasury operations, weak supervision, and murky, often inconsistent accounting practices. Although the Central Bank supervises bank activities in order to guarantee that banks meet liquidity requirements and operate responsibly, the Undersecretariat of the Treasury enforces banking laws and determines the disposition of insolvent banks. From the end of 1998 to the end of 1999 seven commercial banks were taken over by the Central Bank Deposit Insurance Fund, joining another bank which has been under Deposit Insurance Fund management since 1997.

The parliament passed a new bank regulatory law in June 1999, amended in December 1999. The law calls for the creation of an independent regulatory agency, headed by a board whose seven members would be appointed by the cabinet for six-year terms. The law's provisions also toughen conditions for establishing new banks or branches, set credit limits to protect bank solvency, and strengthen regulatory and sanctioning powers, including authorizing the board to merge weak banks with stronger ones. Firm political support and decisive implementation will be key to effectiveness of the law in strengthening the banking sector.

In 1999, the profits of the banking sector increased by 14% percent in dollar terms to USD 4.2 billion. Bank profits have been due mainly to lucrative short-term investments in government securities; banks will have to concentrate on lower-margin core banking under the coming low inflation environment.

The Turkish private sector is dominated by a number of large holding companies, whose upper management is controlled by prominent families. Most large businesses continue to float publicly only a small portion of company shares in order to limit outside interference in company management. Hostile takeovers are unknown in Turkey. There has been no attempt at a hostile takeover buy either international or domestic parties in recent memory.

There are no laws or regulations that specifically authorize private firms to adopt articles of incorporation or association to limit or prohibit foreign investment, participation, or control. Neither is there any attempt by the private sector or government to restrict foreign participation in industry standard-setting consortia or organization.

POLITICAL VIOLENCE

For nearly thirty years, urban and rural acts of terrorism throughout Turkey have caused injury and loss of life to government officials and civilians, including some foreign tourists. Most incidents have occurred in eastern Turkey, as well as Istanbul. Some terrorist groups have also targeted the personnel and property of organizations with official and commercial ties to the United States. In the first half of 2000, the incidence of terrorist incidents either

by the separatist Kurdistan Workers' Party (PKK) or other radical Turkish groups was down significantly. This drop in political violence can be traced both to the incarceration of PKK leader Abdullah Ocalan, as well as significant Turkish law enforcement success against Muslim and leftist terrorist organizations.

CORRUPTION

Turkey has a wide variety of laws, regulations and penalties banning corruption, but enforcement is uneven. Turkey has signed, but not yet ratified, the OECD antibribery convention. U.S. firms have not identified corruption as a significant barrier to direct foreign investment.

American companies operating in Turkey have complained about contributions to the community solicited, with varying degrees of pressure, by municipal or local authorities. The investors have been asked for and given items ranging from public playgrounds to garbage trucks, to hospital equipment.

Corruption appears to be most problematic in government procurement, although it is present in nearly all sectors. Allegations of favoritism in the awarding of contracts, based on personal and financial ties between national businesses and politicians, are most common. Giving or accepting a bribe is illegal in Turkey. Fines imposed in corruption cases focus on the amount of the bribe received and attempt to recover as much of the losses incurred as possible from the financial assets of the person convicted. Bribes cannot be deducted from taxes as a business expense. The government has committed itself to amend applicable laws to explicitly provide that bribes of foreign officials, as well as domestic, are illegal and not tax deductible.

The Prime Ministry's Inspection Department is responsible for investigating major corruption cases. Nearly every state agency has its own inspector corps responsible for investigating internal corruption. The national assembly can establish investigation commissions to examine allegations concerning Cabinet Ministers for the Prime Minister; a majority vote in the parliament as whole is need to send these cases to the supreme court for further action.

There have been cases where GOT officials have been tried and convicted of corruption. For example, the former manager of Istanbul's Water and Sewers Authority (ISKI) served a sentence for having accepted bribes and has since been released. In late fall 1998, allegations of corruption in a failed bank privatization led to the fall of the government.

BILATERAL INVESTMENT AGREEMENTS

Since 1985, Turkey has been negotiating and signing agreements for the reciprocal promotion and protection of investments. As of June 1999, Turkey had signed or initiated negotiations on bilateral investment treaties with 57 countries. Thirty-five of these

agreements are now in force, including with the United States, United Kingdom, Germany, Holland, Belgium-Luxembourg, Denmark, Austria, Switzerland, Finland, Hungary, Poland, Romania, Tunisia, Kuwait, Bangladesh, China, Japan, South Korea, Kazakhstan, Uzbekistan, Belarus, Macedonia, Pakistan, Turkmenistan, Moldova, Romania, Kyrgyzstan, Albania, Bulgaria, and Israel.

Turkey's bilateral investment treaty with the United States came into effect on May 18, 1990. A bilateral tax treaty between the two countries took effect on January 1, 1998. Turkey has signed avoidance of double taxation agreements with 59 countries; 39 of these are in force.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The Overseas Private Investment Corporation (OPIC) offers a full range of programs in Turkey, including political risk insurance for U.S. investors, under its bilateral agreement with Turkey. OPIC is also active in financing private investment projects implemented by U.S. investors in Turkey. In 1987, Turkey became a member of the Multinational Investment Guarantee Agency (MIGA).

The U.S. Government annually purchases approximately USD 23 million of local currency. Embassy purchases are made at prevailing market rates (which differ little from rates sent by the central bank). Reflecting Turkey's high inflation, the central bank depreciates the Turkish lira in nominal terms on an almost daily basis. The government's monetary policy aims to maintain the real value of the lira against a USD/EURO basket; a significant devaluation against the U.S. dollar, in real terms, is not likely in the near future.

LABOR

The Turkish labor force numbers around 23.4 million persons, with approximately 46 percent employed in agriculture. With an official 1999 unemployment rate of 7.3 percent (but probably significantly higher, especially in urban areas, due to discouraged workers leaving the labor force) and an average school-leaving age of 14, Turkey has an abundance of unskilled and semi-skilled labor. However, there is a shortage of qualified workers for highly automated high-tech industries. Individual high-tech firms, both local and foreign-owned, have generally conducted their own training programs for such job categories. Vocational training schools for some commercial and industrial skills exist in Turkey at the high school level. Traditional apprenticeship programs, both formal and informal, are also common. Turkey's labor force has a reputation for being hardworking, productive and dependable.

Labor-management relations have been generally good in recent years. Employers are obliged by law to negotiate in good faith with unions that have been certified as bargaining agents. Strikes are usually of short duration and almost always peaceful. Since 1980 Turkey has faced criticism by the International Labor Organization (ILO), particularly for

shortcomings in enforcement of ILO Convention 98 (right to organize and collective bargaining). In 1995, constitutional amendments were passed which allow "civil servants" (defined broadly as all employees of the central government ministries, including teachers) to form trade unions, but prohibits them from striking or engaging in collective bargaining.

FOREIGN TRADE ZONES / FREE PORTS

Since passage of the Turkish law on free zones in 1985, seventeen zones have already commenced operations. The zones are open to a wide range of activity, including manufacturing, storage, packaging, trading, banking, and insurance. Foreign products enter and leave the free zones without payment of any customs or duties. Activities in the zones are exempt from corporate taxation and income taxes. Additionally, standardization regulations in Turkey do not apply to the activities in the free zones, unless the products are imported into Turkey. Goods and revenues transported from the zones into Turkey are subject to all relevant import regulations.

The trade volume of Turkey's free zones in 1999 was USD 7.9 billion, up 2.2 percent from the previous year. There are no restrictions on foreign firms operations in the free zones. Indeed, the operator of one of Turkey's most successful free zones located in Izmir is an American firm.

FOREIGN DIRECT INVESTMENT STATISTICS

According to Turkish Treasury data, as of March 2000, 5,024 foreign firms had invested and were operating in Turkey. Total authorized foreign capital since 1980 was USD 26.1 billion, and aggregate actual inflows reached USD 12.5 billion. In 1999, EU countries accounted for 60.2 percent of authorized new foreign investment, OECD countries accounted for 88.5 percent, and Islamic countries for 2.6 percent. Over the past two decades, France (20.6 percent) has been the top source of foreign investment, followed by Germany (13.4 percent), the U.S. (11.6 percent), and the Netherlands (11.4 percent). (Note: these figures are based on the amount of authorized investment, not on actual capital inflows). Because of the absence of a bilateral tax treaty until 1998, much U.S.-origin capital has been invested in Turkey through third-country subsidiaries. By unofficial estimates the U.S. is actually the largest source of foreign investment in Turkey.

In 1999, about 66.1 percent of foreign investment were in manufacturing, 32.6 percent in services, and about 1.5 percent in mining and agriculture combined. The sub-sectors with the greatest amount of authorized foreign investment include banking (18.2 percent); chemicals (16.0 percent); electronics and electric machinery (11.5 percent); trade (9.0 percent); and food, beverage and tobacco processing (7.8 percent). Between 1980 and March 2000, 54.3 percent of actual capital inflows were invested in services, 44.4 percent in manufacturing, 0.9 percent in mining, and 0.4 percent in agriculture.

1996 (B)	1997	1998	1999	2000
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Total foreign direct Investment inflows (USD millions, cumulative Total)	9,663	10,695	11,671	12,488	14,800(*)

Sources:

A) U.S. Embassy Ankara estimate; (*) including \$1.3 billion FDI from the 3rd GSM license sale

B) General Directorate of Foreign Investment

Total cumulative foreign direct investment permissions
By country of origin
As of March 2000

Country	Value (\$mill)	Share
France	5,364	20.6
Germany	3,487	13.4
United States	3,028	11.6
Netherlands	2,973	11.4
Switzerland	2,002	7.1
United Kingdom	1,825	7.0
Italy	1,598	6.1
Japan	1,284	4.9
Belgium	310	1.2
Saudi Arabia	295	1.1
Others	3,893	15.7
Total	26,060	100.0

Source: General Directorate of Foreign Investment, Treasury.

Foreign Direct Investment by years (million USD)

FDI permissions

Year	Cumulative	Annual	Actual Inflow	No. Firms
To: 1988	3,050			1,172
1989	4,562	1,512	855	1,525
1990	6,423	1,861	1,005	1,856
1991	8,390	1,967	1,041	2,123
1992	10,210	1,820	1,242	2,330
1993	12,274	2,063	1,016	2,554

1994	13,751	1,478	830	2,830
1995	16,690	2,938	1,127	3,161
1996	20,527	3,837	964	3,582
1997	22,205	1,678	1,032	4,068
1998	22,629	1,646	976	4,533
1999	24,319	1,690	817	4,950
2000(*)	26,060	521	n/a	5,024

Source: General Directorate of Foreign Investment, and the State Planning Organization (SPO); (*) As of March 2000.

Annual FDI flow as a percentage of Turkish GDP

Year	FDI flow (USD, million)	FDI flow/GDP (Pct)
Up to 1988	3,229	
1989	855	0.80
1990	1,005	0.67
1991	1,041	0.69
1992	1,242	0.78
1993	1,016	0.56
1994	830	0.64
1995	1,127	0.66
1996	964	0.53
1997	71,032	0.54
1998	976	0.49
1999	817	0.40

Source: General Directorate of Foreign Investment, and the State Planning Organization.

Turkey's foreign direct investments by country

As of March 2000

Country	Amount (\$mill)	Share
Netherlands	630.7	22.0
United Kingdom	523.3	18.3
Germany	416.9	14.6
Luxembourg	172.7	6.0
Russia	169.7	5.9
Azerbaijan	137.1	4.8
United States	114.3	3.9

Kazakhstan	101.6	3.5
Romania	79.7	2.8
Others	517.4	18.2
Total	2,863.4	100.0

Source: General Directorate of Banking and Foreign Exchange, Treasury

Major foreign investors

Turkey's largest foreign investors include Renault, Toyota, Fiat, Castrol, Enron Power, Citibank, Pirelli Tire, Unilever, RJR Nabisco, Philip Morris, FMC, Honda, Hyundai, Bosch, Siemens, Mercedes, Chase Manhattan, AEG, Bridgestone, Cargill, Ciba-Geigy, Coca Cola, Colgate-Palmolive, General Electric, General Motors, ITT, Ford Motor Co., Lockheed Martin, Gillette, Goodyear, Hilton International, Hoechst, McDonald's, Nestle, Mobil, Pepsi, Pfizer, Procter and Gamble, and Shell.

CHAPTER VIII TRADE AND PROJECT FINANCING

DESCRIPTION OF BANKING SYSTEM

With 62 commercial banks and 19 development or investment banks, and total sectoral assets of only USD 133.5 billion at the end of 1999, Turkey is over-banked.

However, the sector plays less of a financial intermediary role than one would expect in an economy of Turkey's size and sophistication. The four state-owned commercial banks still hold a disproportionately large 35 percent of bank assets, although their share may be declining. The sector's five and ten largest banks also have seen their share of assets decline steadily since financial sector liberalization began to take hold in 1985. Turkish banks engage in core banking services, securities brokering and other businesses. In terms of trade finance, treasury operations, electronic banking, and information management, the dozen leading Turkish banks are as sophisticated as their other OECD counterparts. However, given chronically high government budget deficits, bank profitability has been treasury-based, not lending-based, and most banks have yet to develop solid lending cultures and risk-asset management systems. One hundred percent deposit insurance since 1994 is an additional complicating factor. Moreover, accounting practices are neither at commonly accepted world standards or evenly applied across the sector.

U. S. and U.S.-affiliated banks present in Turkey include the Bank of New York, Banker's Trust, Chase Manhattan, Citibank, First Union and J. P. Morgan. One should expect that, partly under the impact of the competition of U.S. and other foreign banks, the Turkish banking sector would undergo significant consolidation by 2005.

The Istanbul Stock Exchange, formed in 1986, is becoming one of the major players in the capital market. In 1995, the Istanbul Gold Exchange opened for trading. The Capital Market Board is responsible for overseeing the activities of capital markets.

The Central Bank of the Republic of Turkey is located in Ankara and together with Turkish Treasury is responsible for the integrity of the banking system. In 1994, the Central Bank became an autonomous body but is not independent.

The Central Bank supervises bank activities in order to guarantee that they meet liquidity requirements and operate in a responsible fashion. While the Central Bank's Bank Supervision Division acts as the government's supervisory authority, the Undersecretariat of Treasury is responsible for the enforcement of banking laws.

Treasury's Banking and Exchange General Directorate conducts criminal investigations of banks and is the government agency that determines punitive actions taken against institutions violating banking or securities laws. Treasury also determines the disposition of insolvent banks. As of year-end 1999, eight Turkish banks were taken under the Deposit Insurance Fund.

FOREIGN-EXCHANGE CONTROLS AFFECTING TRADING

There are no known foreign-exchange limits placed on importers by the GOT, and there are no restrictions on the transfer of funds in or out of the country. Although the Turkish lira (TL) is fully convertible, most international transactions are denominated in U.S. dollars or German marks due to these currencies' universal acceptance and the continuing monetary uncertainty caused by Turkey's high inflation rate. Banks are allowed to deal in foreign exchange and to borrow and lend in foreign currencies. Foreign exchange is freely traded and widely available. Foreign investors are free to convert and repatriate their Turkish lira profits.

GENERAL FINANCING AVAILABILITY

Traditionally, Turkish corporations have satisfied most of their financing requirements through the banking industry. Corporation / banking relationships are close. Locally, commercial banks account for about 80 percent of the credits outstanding in the Turkish financial system. However, given the continuing gap between Turkey's extensive needs and its limited internal resources, external financing of public and private project investment will be a crucial factor in this and coming years. Because of high inflation and high public-spending requirements, the cost of local currency funds is very high. Exporters are advised to provide financing for their exports. In addition to short and medium-term credits available from commercial banks in local and foreign currencies, lower-cost TL credits are also available from Turkish Eximbank.

HOW TO FINANCE EXPORTS AND METHODS OF PAYMENT

Letters of Credit (LCs) are traditional import instruments for private-sector transactions. LCs should be irrevocable and confirmed by a prime U.S. bank. As Turkish importers develop long-term contacts and prove their credit-worthiness, suppliers may be willing to accept cash against documents and cash against goods shipments. Deferred payment schedules are not common except in cases of large transactions where supplier financing plays a role.

Sales to Turkey are influenced by the availability and cost of supplier credits. Turkey's access to international credit improved in 1995 after the recession in 1994. Suppliers should consider unconventional project financing packages (e.g., forfeiting, factoring and utilization of third-country export credits) when bidding on major government infrastructure projects. Exporters should be flexible and try to accommodate customers' needs, building any additional associated cost into the offer price. A stand-by Letter of Credit was approved between Turkey and the IMF in 1994, but lapsed in late 1995.

Firms bidding on GOT contracts should pay careful attention to the way proposals are prepared and should strictly follow the administrative specifications. Financing costs and foreign exchange rate risks, wherever applicable, should be factored into the bid price. Bids, which do not comply with administrative specifications (which include financial criteria), are generally rejected. Generally, validity of a proposal is required to be 3 to 6 months from the bid date. Government tenders often involve bid and performance bonds. Bid bonds are normally equivalent to 3 percent of the value of the tender, while performance bonds are usually equivalent to 6 percent of the contract value. The government only calls these bonds in cases of extreme bad. All bonds have to be counter-guaranteed by a Turkish national bank.

A large number of leasing companies operate in Turkey, most owned by Turkish banks. They finance purchases of expensive capital goods such as aircraft, auto fleets or special equipment. Financial leasing used to account for only 1 to 2 percent of capital expenditures in Turkey versus 20 percent in developed countries. The terms of leasing are usually four years, with a balloon payment at the end. Turkish leasing companies are eager to work with U.S. counterparts.

Turkish factoring companies (again, usually offshoots of banks) generally belong to the International Factors Group based in Belgium. Like leasing companies, all factoring and forfeiting companies are having funding difficulties. Both factoring and forfeiting maximize cash flow, reduce transaction risks, and may enhance competitiveness by offering flexible payment terms to the buyer. All U.S. banks active in Turkey know and deal with at least one of the major leasing and factoring companies.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Export-Import Bank of the United States (Eximbank) is open for business in Turkey and offers a variety of credit facilities to U.S. firms exporting to Turkey as well as

providing project financing for U.S. investments. Eximbank does not have a ceiling for Turkey as long as a Treasury guarantee is provided. The U.S. Trade and Development Agency (TDA) is active in financing pre-feasibility and feasibility studies and pre-design work for major government projects, while the Overseas Private Investment Corporation (OPIC) insures and provides investment credit financing to many U.S. investments in Turkey. U.S. firms may also compete for contracts financed by the World Bank. Most major government tenders still require suppliers' credits.

In 1999, the Export-Import Bank of the United States (Ex-Im Bank), the Overseas Private Investment Corporation (OPIC), and the U.S. Trade and Development Agency (TDA) opened the Caspian Finance Center (CFC), the agencies' first joint regional office anywhere in the world. Located at the American Embassy in Ankara, the CFC houses senior representatives from each agency who promote increased trade and investment in Turkey, the Caucasus and Central Asia. Working together with the U.S. Commercial Service and the Department of State, the Center's efforts also focus on supporting American participation in projects related to the East-West Transportation Corridor, and the ancillary infrastructure that will be built as a result of these energy projects.

USDA's Commodity Credit Corporation offers three-year GSM-102 export credit guarantees for imports of a wide range of agricultural products. Seven-year GSM-103 guarantees are available for imports of breeder cattle and poultry. In October, 1998, USDA announced Turkey's eligibility for a five year Facilities Credit Guarantee Program for sales of U.S. manufactured goods and services to improve existing agricultural related facilities and a USD 5 million Supplier Credit Guarantee Program targeted at imports of high value products from the United States.

AVAILABILITY OF PROJECT FINANCING

Project financing is available through a multitude of sources including Turkish and foreign commercial banks and investment banks. OPIC is another source for project financing for U.S. investors. Interested U.S. companies should note that American banks active in Turkey are among the leaders in project financing.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

Turkey offers numerous major project opportunities in telecommunications, energy, transportation, and building of infrastructure projects such as dams, airports, harbors, roads, and water and sewerage systems. Supplier financing is the key to winning these large projects. U.S. Eximbank established a project financing office in 1994 to provide financing on a project basis. Traditionally, U.S. Eximbank financing, along with OPIC and TDA programs, are available to U.S. suppliers. International financing institutions such as the International Bank for Reconstruction and Development (IBRD) and Overseas Economic Cooperation Fund of Japan (OECF) have also been providing large amounts of funds for major projects in Turkey. Other credits from IBRD are available for funding of health,

education, and other infrastructure projects.

Offsets: Large defense-related procurement / coproduction tenders usually require an offset proposal. Offset proposals play an important role in the decision to award large defense contracts. Direct offsets are preferred over indirect offsets. The Undersecretariat for Defense Industries (SSM) is the implementing agency for offsets for large defense projects. Recently, SSM published a new offset requirements guidebook, which will be reviewed by the U.S. Commercial Service in Ankara and placed on the CS Turkey website, www.csturkey.com.

LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

Almost every Turkish bank, regardless of size, has correspondent relations with American banks. A selection follows:

Akbank T.A.S.
 Etibank Bankacilik A.O.
 Kocbank A.S.
 Ottoman Bankasi
 Pamukbank T.A.S.
 Sekerbank T.A.S.
 Turkiye Cumhuriyeti Ziraat Bankasi
 Turkiye Emlak Bankasi
 Turkiye Garanti Bankasi A.S.
 Turkiye Halk Bankasi
 Turkiye Is Bankasi A.S.
 Vakiflar Bankasi T.A.O.
 Yapi ve Kredi Bankasi A.S.

CHAPTER IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

The Turkish people feel close to their traditions and culture. However, having ties with western countries, Turkish people in major cities have adopted a western way of life. A foreigner visiting any one of the large cities in Turkey will find himself in an atmosphere similar to that of a contemporary western city. There are no local customs, beyond the bounds of normal courtesy, that a visiting businessman should feel compelled to observe. In general, a personal relationship is an important basis for a successful business relationship in Turkey. It is usually important to allow time for friendly conversation before commencing with a business agenda. Business cards are almost always exchanged, and visitors are usually offered a glass of tea or Turkish coffee.

TRAVEL ADVISORY AND VISAS

U.S. citizens are required to obtain visas before entering Turkey. U.S. citizens traveling to Turkey as tourists may obtain their visas either from Turkish Consular Offices abroad, or at the border crossing point--for a stay up to three months. For visits of longer duration, or for those intending to study or to obtain employment in Turkey, the appropriate visa must be obtained in advance. A fee will be collected, notwithstanding the type of visa issued.

There is little crime against visitors (generally less than in the United States) in major cities like Istanbul, although there have been reports of pickpocketing, purse snatching and mugging. Visitors are advised to avoid accompanying unknown persons to bars and nightclubs that may seriously overcharge.

Travel to eastern Turkey except for the Black Sea Coast can be dangerous. While terrorist incidents either by the separatist Kurdistan Workers' Party (PKK) or other radical Turkish groups was down significantly in early 2000, past terrorist attacks have included civilian targets. This drop in political violence can be traced both to the incarceration of PKK leader Abdullah Ocalan, as well as significant Turkish law enforcement success against Muslim and leftist terrorist organizations. Travel in the eastern provinces should be restricted after nightfall to city centers.

Unauthorized purchase or removal from Turkey of antiquities or other important cultural artifacts is strictly forbidden. U.S. visitors may obtain updated information on travel and security in Turkey from the U.S. Embassy in Ankara or Consulates in Istanbul and Adana, or posted on the Embassy's home page: www.usis-ankara.org.tr.

TURKISH HOLIDAYS

January 1:	New Year's Day
March 4-8	Sacrifice Holiday (Kurban Bayrami) starting from 13.00 on March 4
April 23	National Sovereignty and Children's Day
May 19	Ataturk Memorial, Youth, and Sports Day
August 30:	Victory Day
October 28-29:	Turkish Independence Day (from 13:00 on the 28th)

BUSINESS INFRASTRUCTURE

Transportation: The national flag carrier, Turkish Airlines (THY), together with its subsidiaries, dominates the industry and flies non-stop daily to most major European, Middle Eastern and Asian cities, including Tokyo as well as to New York, Chicago and Miami. Delta Airlines flies non-stop from Istanbul to New York and Atlanta. Major European airlines have also frequent non-stop flights to Turkey. At the end of 1999, American Airlines and THY announced their intention to cooperate in a number of markets. Rail transportation is also available between most of the major cities.

Comprehensive networks of long distance buses, which are inexpensive, operate between the major cities. Car rental is relatively expensive although petrol (benzene) is cheaper than in Europe, and fuel stations are numerous. Public transportation is available in the cities. However, businessmen are advised to use taxis. Taxi fares are relatively low.

Language: The official language spoken by more than 90 percent of the population is Turkish. Most educated Turks have a command of at least one foreign language, with sufficient fluency to carry out business transactions. Most company executives were educated in western countries. English is the dominant language for international business. Other frequently spoken languages are German and French.

Communication: The telephone system in Turkey's major cities is good. Email and faxes are widely used in international business.

Lodging: Medium to luxury-type hotels, including international hotels such as the Hilton, Sheraton, Hyatt, Holiday Inn, Conrad and Swiss Hotel, are available in major cities. Apartment rents in Istanbul are expensive. Rents in Ankara and Izmir are more reasonable. The rental of a good quality apartment in a popular area of a city is usually set in a foreign currency, and often 6 months to one year's rent is expected in advance.

Health: There is no family doctor system in Turkey. In the event of illness it is customary to go directly to a hospital or to a private specialist. There are several good private medical facilities in Istanbul and Ankara. Food and water borne diseases are prevalent throughout Turkey. Anyone coming to Turkey should have comprehensive medical insurance.

Vaccines: Vaccines necessary for Turkey are all childhood immunizations, Typhoid, Hepatitis B, Hepatitis A (or Immune Globulin as an alternative). Visitors who will visit rural areas, or go on hiking, or trekking trips in the country may wish to get Rabies vaccine although this is not required.

Food: Turkish cuisine is characterized by the freshness of its ingredients and most American business travelers have no trouble finding a good meal. All major hotels have at least one restaurant serving continental cuisine. Several European and ethnic restaurants are also available in major cities. Prices at these places are usually moderate-to-expensive. Good food is available not only at expensive restaurants but also at moderately priced establishments. One also has the choice of fast food restaurants such as McDonald's, Wendy's, Kentucky Fried Chicken, Burger King and their Turkish equivalents such as Kebap 49. A variety of fresh fruits and vegetables are available throughout the year.

TEMPORARY ENTRY OF GOODS

Travelers entering Turkey on a temporary basis and carrying items such as laptop computers and accessories, display and exhibit materials are permitted to bring these items into Turkey duty free. Customs officials register the items to the traveler's passport and

subsequently cancel them as the traveler exits the country with the same items. Catalogs, brochures, pamphlets, and similar advertising materials are exempt from customs duty. For additional information about temporary entry, please see VI. Trade Regulations and Standards, Temporary Entry section.

INFORMATION ON TYPICAL PRODUCT PRICING STRUCTURES

Pricing strategies in Turkey reflect the dynamics of the market place and are influenced by various market forces that include demand and supply. While there is not one typical pricing scheme, a model pricing structure based on general merchandise follows:

Imported merchandise CIF	100.00
+ Import Duty (a) @ 5 pct	105.00
+ VAT (KDV)(b) @ 17 pct	122.85 = cost to distributor
+ Distributor markup @ 25 pct(c)	153.56 = cost to retailer
+ Retailer markup @ 25 pct(c)	191.95 =cost to consumer

(a) Duties: Turkey applies EU's common external tariffs to third countries including the U.S. Some goods in protected categories (e.g. automobiles and furniture to name two) are having lower duties phased in over a 5-year period, ending January 1, 2001.

(b) VAT tax varies depending on product: "luxury" items, 25 percent; general, 17 percent; food, 1 percent.

(c) Markups are hypothetical, but reflect observed prices. Distributor / retailer markups are not limited by law, only demand and competition.

GUIDE TO DOING BUSINESS

"Key Officers of Foreign Service Posts" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, telephone (202) 512-1800, fax (202) 512-2250. Business travelers to Turkey seeking appointments with U.S. Embassy Ankara officials should contact the commercial section in advance. The commercial section can be reached by telephone at [90] (312) 468-6110, ext. 2467, by fax at [90] (312) 467-1366, or by E-mail at Ankara.Office.Box@mail.doc.gov. Contact information for the commercial sections in Istanbul and Izmir, as well as for the Consulate in Adana, is available in Appendix E of this document.

CHAPTER X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

1. PROFILE

-Population:	65.5 million (mid-year 1996)
-Population Growth Rate:	1.5 percent
-Religion:	Moslem (99 percent)
-Government System:	Parliamentary Democracy
-Language:	Turkish
-Work week:	Monday through Friday

APPENDIX B: DOMESTIC ECONOMY

	1997	1998	1999	2000(*)
- GNP current (USD bil)	194.4	204.6	187.4	197.7
- GNP growth rate (%)	8.3	3.8	(-6.4)	5.5
- GNP per capita (USD)	3,048	3,024	2,878	
- Public Sector expenditures as percent of GNP	30.9	29.2	35.8	37.4
- Inflation CPI (%)	85.7	69.7	68.8	25.0
- Unemployment (%)	5.9	6.2	7.3(**)	
- Foreign exchange reserves (USD bil)	29.3	29.5	33.0	
- Average exchange rate/\$	151,239	260,040	417,581	521,976
- Foreign debt (USD mil)	92,216	102,651	111,200	116,000
- Debt service ratio	18.3	15.6	16.5	
- U.S. Economic/Military Assistance (US FY) (USD	350	204	18.5	6.1

mil)

(*) IMF stand-by agreement program targets

(**) As of April 1999

APPENDIX C: TRADE (USD Millions)

	1997	1998	1999
- Total country exports	26,261	26,881	26,600
- Total country imports	48,559	45,921	40,700
- Exports to U.S.	2,032	2,229	2,400
- Imports from U.S.	4,330	4,043	3,100

APPENDIX D: INVESTMENT STATISTICS

	1996	1997	1998	1999	2000
Total foreign direct investment (million \$,cumulative) inflows	9,663	10,695	11,671	12,488	14,800

Sources:

State Institute of Statistics

Undersecretariat of Treasury

State Planning Organization

Central Bank of the Republic of Turkey

APPENDIX E: U.S. AND TURKEY CONTACTS

U.S. Mission Trade-related Personnel

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Commercial Counselor
Foreign Commercial Service (FCS)
American Embassy
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06100 Kavaklıdere, Ankara, Turkey

Tel: [90] (312) 467-0949
Fax: [90] (312) 467-1366
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American Embassy
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06100 Kavaklidere, Ankara, Turkey

Mr. James M. Fluker
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Foreign Commercial Service (FCS)
American Consulate General
Mesrutiyet Caddesi No.

Tel: [90] (212) 251-1651
Fax: [90] (212) 252-2417
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Ms. Berrin Erturk
Commercial Specialist
Foreign Commercial Service, Izmir Office
Izmir Chamber of Commerce
Ataturk Caddesi No. 126, 5th Fl.
35210 Pasaport, Izmir, Turkey

Tel: [90] (232) 441-2446
Fax: [90] (232) 489-0267
Izmir.Office.Box@mail.doc.gov

Ms. Abaseh Mirvali
Director, Caspian Finance Center
U.S. Trade and Development Agency
(TDA)
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06100 Kavaklidere, Ankara, Turkey

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American Consulate
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and Turkey
U.S. Trade and Development Agency
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811 Vermont Avenue, NW
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talaat.rahman@exim.gov

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1100 New York Avenue, NW
Washington, D.C. 50527

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U.S.-Based Multipliers Relevant for Country

Mr. Lincoln McCurdy, President
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Tel: (202) 783-0483
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Washington, D.C. 20005-4905

TURKISH GOVERNMENT CONTACTS:

Agriculture and Rural Affairs

Tarim, Orman ve Koyisleri Bakanligi
(Ministry of Agriculture, Forestry and
Rural Affairs)

Tel: [90] (312) 417 8400
Fax: [90] (312) 425 2016
www.tarim.gov.tr

Tarimsal Uretim Gelistirme Genel
Mudurlugu
(General Directorate of Agricultural
Production Development)
Milli Mudafaa Caddesi No. 20
Kizilay, Ankara, Turkey

Orman Bakanligi
(Ministry of Forestry)
Ataturk Bulvari No. 153
Bakanliklar, Ankara, Turkey

Tel: [90] (312) 417 6000
Fax: [90] (312) 418 7354

Toprak Mahsulleri Ofisi (TMO)
(Soil Products Office)
Milli Mudafaa Caddesi No. 18
06100 Kizilay, Ankara, Turkey

Tel: [90] (312) 417 4440
Fax: [90] (312) 417 5934

Koy Hizmetleri Genel Mudurlugu
(General Directorate of Rural Services)
Eskisehir Yolu 9. Km,
Ankara, Turkey

Tel: [90] (312) 287 3360
Fax: [90] (312) 287 7213

Turkiye Zirai Donatim Kurumu (TZDK)
(Turkish Agricultural Supply Department)
Fatih Caddesi No. 33
Diskapi, Ankara, Turkey

Tel: [90] (312) 317 0220
Fax: [90] (312) 347 0319

Communications

Ulastirma Bakanligi
(Ministry of Communications and

Tel: [90] (312) 212-6730
Fax: [90] (312) 212-4930
www.ubak.gov.tr

Transportation)

Bahcelievler Son Durak

Emek, Ankara, Turkey

Activity: Responsible for construction of harbors, airports, railways; and telecommunications policy and privatization in telecom.

Contact: Prof. Dr. Munir Kutluata
Undersecretary

Tel: [90] (312) 215-8383
Fax: [90] (312) 212-4187

Türkiye Radyo ve Televizyon Kurumu
Genel Mudurlugu (TRT)
(General Directorate of Turkish Radio and
Television)

Tel: [90] (312) 490-4300
Fax: [90] (312) 490-1109
www.trt.net.tr

Ataturk Bulvari No. 108
06100 Kavaklıdere, Ankara, Turkey
Activity: Television and radio broadcasting.

Contact: Mr. Yucel Yener
Director General

Tel: [90] (312) 490-4491
Fax: [90] (312) 490-4494

Telsiz Genel Mudurlugu (TGM)
(General Directorate of Radio
Communications
Ulaştırma Bakanlığı Sitesi
91. Sokak No. 5, L Blok
06510 Emek, Ankara, Turkey

Tel: [90] (312) 212-6010
Fax: [90] (312) 212-0482
www.tgm.gov.tr

Contact: Mr. Yasar Kose
Deputy Director General

Tel: [90] (312) 212-3811
Fax: [90] (312) 221-3226

Türk Telekom A.Ş. (TT)
(Türk Telecommunications, Inc.)
Samsun Yolu Kavşağı
06103 Aydınlıkevler, Ankara

Tel: [90] (312) 555-1000
Fax: [90] (312) 313-1495
www.telekom.gov.tr

Activity: Telecommunications arm of Turkish PTT, scheduled for privatization. TT has exclusive rights to operate landlines and telecommunications satellites serving Turkey, lease channels and transponders from the satellites, and issue and control operating licenses.

Contact: Mr. İbrahim Hakkı Alptürk
Director General

Tel: [90] (312) 313-1121
Fax: [90] (312) 313-1919

Mr. Vedat Karaarslan

Tel: [90] (312) 313-1130

Deputy Director General

Fax: [90] (312) 313-1919

Defense

Milli Savunma Bakanligi (MND)
Dis Tedarik Dairesi Baskanligi
(Ministry of National Defense
Foreign Procurement Department)
Mudafaa Caddesi, Bakanliklar
Ankara, Turkey

Tel: [90] (312) 418-9616
Fax: [90] (312) 417-7342
www.msb.mil.tr

Activity: Responsible for meeting the requirements of the Turkish Armed Forces from foreign and domestic sources according to the programs and priorities determined by Turkish General Staff.

Milli Savunma Bakanligi
NATO Enf. Daire Baskanligi
(Ministry of National Defense
NATO Infrastructure Department)
Bakanliklar, Ankara, Turkey

Tel: [90] (312) 418-9814
[90] (312) 402-4202
Fax: [90] (312) 418-3384

Contact: General Huseyin Ozdel
Head of NATO Infrastructure Dept.

Savunma Sanayii Mustesarligi (SSM)
(Undersecretariat for Defense Industries)
Inonu Bulvari, Kirazlidere Mevkii
06100 Bahcelievler, Ankara, Turkey

Tel: [90] (312) 417-2326
Fax: [90] (312) 417-3266

Activity: Responsible for development and modernization of the Turkish defense industry. The main policy of SSM is to procure defense equipment and services domestically with the aid of foreign technology and capital by utilizing existing local facilities in Turkey.

Contact: Prof. Dr. D. Ali Ercan
Undersecretary

Tel: [90] (312) 417-3415
Fax: [90] (312) 417-3266

Jandarma Genel Komutanligi
Tedarik Daire Baskanligi-Dis Tedarik
Sube Mudurlugu
(Turkish Gendarmerie Command, Foreign
Procurement Department)
Ankara, Turkey

Tel: [90] (312) 456-2487
Fax: [90] (312) 418-9208

Emniyet Genel Mudurlugu
(General Directorate of Security Affairs)

Tel: [90] (312) 468-5600
Fax: [90] (312) 417-3039

Dikmen Yolu No. 98
06540 Dikmen, Ankara, Turkey

86 of 107
www.egm.gov.tr

Contact: Mr. Turan Genc
Director General

Tel: [90] (312) 419-5600
Fax: [90] (312) 425-6520

Education

Milli Egitim Bakanligi (MEB)
(Ministry of National Education)
Bakanliklar, Ankara, Turkey

Tel: [90] (312) 419-1410
Fax: [90] (312) 417-7027
www.meb.gov.tr

Activity: (MEB is responsible for implementing a contemporary mode of education training for Turkish citizens by opening primary and secondary schools and other institutes and arranging courses within the framework of the educational policies for the unification of education. The Ministry also meets the requirements of these institutions, assigns teachers and administrators, and draws up the rules, regulations and programs.

Contact: Mr. Bener Cordan
Undersecretary

Tel: [90] (312) 425-5294
Fax: [90] (312) 417-0083

Yuksekk Ogretim Kurulu (YOK)
(Higher Education Council)
Bilkent Universitesi
Ankara, Turkey

Tel: [90] (312) 298-7000
Fax: [90] (312) 266-4759
www.yok.gov.tr

Activity: The council is an autonomous public juridical body with the authority and responsibility to administer the activities of all universities, schools, and institutions of higher learning.

Contact: Prof. Dr. Kemal Guruz
Director General

Tel: [90] (312) 298-7066
Fax: [90] (312) 266-4819

Energy and Natural Resources

Enerji ve Tabii Kaynaklar Bakanligi (MEN)
(Ministry of Energy and Natural Resources)
Inonu Bulvari No. 27
06440 Bahcelievler, Ankara, Turkey

Tel: [90] (312) 212-6915
Fax: [90] (312) 223-6984
www.enerji.gov.tr

Activity: Responsible for electricity generation, transmission and distribution; energy and petroleum affairs and development of natural resources of the country.

Contact: Dr. Halil Yurdakul Yigitguden
Undersecretary

Tel: [90] (312) 222-4059
[90] (312) 223-0572
Fax: [90] (312) 223-4084

TEDAS - Turkiye Elektrik Dagitim A.S.
(Turkish Electricity Distribution Co., Inc.)
Inonu Bulvari No. 27
06440 Bahcelievler, Ankara, Turkey

Tel: [90] (312) 212-6915
Fax: [90] (312) 213-8873
www.tedas.gov.tr

Activity: Operating rights of electrical distribution network projects.

Contact: Mr. Osman Nuri Dogan
Chairman and Director General

Tel: [90] (312) 222-9916
Fax: [90] (312) 222-9562
Tel: [90] (312) 212-6900

TEAS - Turkiye Elektrik Iletim Uretim A.S. Fax: [90] (312) 222-9890 www.teas.gov.tr
(Turkish Electricity Generation and
Transmission Co., Inc.)

Inonu Bulvari No. 27
06490 Bahcelievler, Ankara, Turkey

Activity: Electricity generation and transmission affairs.

Contact: Mr. Muzaffer Selvi
Chairman and Director General

Tel: [90] (312) 222-9536
Fax: [90] (312) 222-9890
Tel: [90] (312) 286-9100
Fax: [90] (312) 286-9000
www.tpao.gov.tr

Turkiye Petrolleri Anonim Ortakligi
(TPAO)
(Gen. Directorate of Turkish Petroleum
Corp.)
Mustafa Kemal Mahallesi 2. Cadde No. 86
06520 Esentepe, Ankara, Turkey

Activity: The principal activities of TPAO are exploration, drilling and production of oil, natural gas and geothermal energy.

Contact: Mr. Osman Demirag
Chairman and Director General

Tel: [90] (312) 286-9440
Fax: [90] (312) 286-9000

BOTAS-Boru Hatlari ile Petrol Tasima
(Petroleum Pipeline Corporation)
Bilkent Plaza, A2 Blok
Bilkent, Ankara, Turkey

Tel: [90] (312) 297-2401
Fax: [90] (312) 266-0623
www.botas.gov.tr/

Activity: Construction of pipelines, responsible for oil and gas policies and projects.

Contact: Mr. Gokhan Yardim
Chairman and Director General

PETKIM-Petrokimya Holding A.S.
(Gen. Directorate of Petrochemical
Industries)
P.O. Box 12, 35801 Allege

Tel: [90] (232) 616-1240
Fax: [90] (232) 616-1248
[90] (232) 616-2490
www.petkim.com.tr

Izmir, Turkey

Activity: Petrochemicals producer.

Contact: Mr. Turgut Bozkurt
Director General

Tel: [90] (232) 616-1450
Fax: [90] (232) 616-3680

Environment

Cevre Bakanligi (MOE)
(Ministry of Environment)
General Directorate of Environmental
Impact
Assessment and Planning
Eskisehir Yolu 8. Km., Ankara, Turkey
Activity: Regulatory agency in the environmental pollution control field.

Tel: [90] (312) 287-9963
Fax: [90] (312) 285-2910
www.cevre.gov.tr

Contact: Ms. Havva Alp
Director General

Tel: [90] (312) 285-3283
Fax: [90] (312) 285-2910

Mr. M. Neset Kayhan
Deputy Undersecretary, Environmental
Impact Assessment

Tel: [90] (312) 285-2690
Fax: [90] (312) 285-3319

Health

Saglik Bakanligi (MOH)
(Ministry of Health)
Saglik Bakanligi Arastirma ve Planlama
Dairesi
06343 Sihhiye, Ankara, Turkey

Tel: [90] (312) 433-7777
Fax: [90] (312) 434-4602
www.saglik.gov.tr

Activity: The MOH is the major provider of hospital care and primary care, and the only provider of preventive health services. The MOH is responsible for health policy and services. At the provincial level, health directories, operating under provincial Governorates, administer MOH health services.

Contact: Mr. Ertan Cicek
Head of Research and Planning Department

Mining

Turkiye Demir ve Celik Isletmeleri
Genel Mudurlugu (TDCI)
(Gen. Directorate of Turkish Iron and Steel
Works)

Tel: [90] (312) 435-4900
Fax: [90] (312) 434-4705
www.tdci.gov.tr

Ziya Gokalp Caddesi
Kurtulus, Ankara, Turkey

Contact: Mr. Hilmi Bener Acar
Director General

Tel: [90] (312) 430-4070
Fax: [90] (312) 434-4706

Turkiye Komur Isletmeleri Kurumu
Genel Mudurlugu (TKI)
(General Directorate of the Turkish
Coal Enterprises)
Hipodrom Caddesi
Ulus, Ankara, Turkey.

Tel: [90] (312) 384-1720
Fax: [90] (312) 384-1635

Activity: Esiad is comprised of senior industrialists in the region. Membership is voluntary. Esiad not only provides services to its members, but also promotes doing business in the Aegean region.

Contact: Mr. Yusuf Cebi
Director General

Tel: [90] (312) 384-1600
Fax: [90] (312) 384-1612

Turkiye Taskomuru Kurumu Genel
Mudurlugu (TTK)
(General Directorate of the Turkish
Hard Coal Enterprises)
Zonguldak, Turkey
Activity: Hard coal mining

Tel: [90] (372) 252-4000
Fax: [90] (372) 251-1900

Contact: Mr. Omer Yenel
Director General

Tel: [90] (372) 252-1934
Fax: [90] (372) 253-1661

Mr. Ismail Verimbaz
Deputy Director General

Tel: [90] (372) 252-1145
Fax: [90] (372) 253-1661

Karadeniz Bakir Isletmeleri A.S. (KBI)
(Black Sea Copper Works Co.)
Ziya Gokalp Caddesi No. 17
06100 Ankara, Turkey.

Tel: [90] (312) 435-5400
Fax: [90] (312) 435-1689

Activity: Mining of copper ore and copper production

Contact: Mr. Rifat Kont
Director General

Tel: [90] (312) 431-2012
Fax: [90] (312) 435-5211

Maden Tetkik ve Arama Enstitüsü (MTA)
(Mineral Research and Exploration Inst.)
Eskisehir Yolu, Balgat

Tel: [90] (312) 287-9150
Fax: [90] (312) 287-9151
www.mta.gov.tr

Ankara, Turkey

Activity: Mineral research organization.

Contact: Mr. Ali Kemal Isiker
Director General

Tel: [90] (312) 287-9152
Fax: [90] (312) 287-9151

Public Works and Housing

Bayindirlik ve Iskan Bakanligi
(Ministry of Public Works and Settlement)
Vekaletler Caddesi No. 1
Bakanliklar, Ankara, Turkey

Tel: [90] (312) 417-9260
Fax: [90] (312) 418-0406

Iller Bankasi Genel Mudurlugu
(Municipalities Bank)
Ataturk Bulvari No. 21
Opera, Ulus, Ankara, Turkey
Activity: Financing Municipal projects.

Tel: [90] (312) 310-3141
Fax: [90] (312) 312-2989
Fax: [90] (312) 310-7459

Contact: Mr. Irfan Onal
Director General

Tel: [90] (312) 311-2672
Fax: [90] (312) 312-2989

T.C. Basbakanlik
Guneydogu Anadolu Projesi (GAP)
(Prime Ministry Southeastern Anatolia
Project) www.gap.gov.tr
Regional Development Administration
Willy Brandt Sokak No. 5
06680 Cankaya, Ankara, Turkey
Activity: Carries out major projects for development of Southeastern Anatolia

Tel: [90] (312) 440-4093
Fax: [90] (312) 440-4094

Contact: Dr. I. H. Olcay Unver
President

Devlet Su Isleri Genel Mudurlugu (DSI)
(General Directorate of State Water Works)
Inonu Bulvari, 06100 Yucetepe
Ankara, Turkey

Tel: [90] (312) 417-8300
Fax: [90] (312) 418-2498
www.dsi.gov.tr

Activity: Responsible for construction of dams and hydroelectric power plants.

Contact: Prof. Dr. Dogan Altinbilek
Director General

Tel: [90] (312) 418-3409
Fax: [90] (312) 418-2498

Demiryollari, Limanlar ve Hava Meydanlari
(DLH)

Tel: [90] (312) 215-2222
Fax: [90] (312) 212-3847

(General Directorate of Railways, Harbors,
and Airports Construction)

Ulastirma Bakanligi

Bahcelievler, Ankara, Turkey

Activity: In charge of construction of new railways, harbors and airports.

Contact: Mr. Ihsan Gulay
Acting Director General

Tel: [90] (312) 212-4691
Fax: [90] (312) 212-3847

Trade/Economy

Devlet Planlama Teskilati
(State Planning Organization) (SPO)
Necatibey Caddesi No. 108
06100 Bakanliklar, Ankara, Turkey.

Tel: [90] (312) 230-8720
Fax: [90] (312) 231-3498
www.dpt.gov.tr

Activity: Develops and administers the state's investment programs, priorities, and general macroeconomics. SPO is the approval agency for allocating government money for projects and also responsible for the preparation of Turkey's Five Year Plans

Contacts: Prof. Dr. Akin Izmirlioglu
Undersecretary

Tel: [90] (312) 230-0145
Fax: [90] (312) 231-3681

Mr. Ibrahim Canakci
Head of Conjunctural Evaluations Dept

Tel: [90] (312) 232-1088
Fax: [90] (312) 232-1089

Mr. Cavit Dagdas
General Director of Annual Programs
and Conjunctural Evaluations

Tel: [90] (312) 232-1085
Fax: [90] (312) 232-1089

Hazine Mustesarligi
(Undersecretariat of Treasury)
Eskisehir Yolu, Inonu Bulvari
06510 Emek, Ankara, Turkey

Tel: [90] (312) 212-8800
Fax: [90] (312) 212-8778
www.treasury.gov.tr

Activity: Information on foreign investment opportunities, procedures and incentives;
primary source of information on Turkey's banking regulations.

Contacts: Mr. Selcuk Demiralp
Undersecretary of Treasury

Tel: [90] (312) 212-8058
Fax: [90] (312) 212-8764

Mr. Mehmet S. Onaner
Director General,
Foreign Investment Department

Tel: [90] (312) 212-8914
Fax: [90] (312) 212-8916

(Vacant)

Tel: [90] (312) 212-8723

Director General of Banking and
and Foreign Exchange

Fax: [90] (312) 212-8775

Dis Ticaret Mustesarligi
Ithalat Genel Mudurlugu
(Undersecretariat of Foreign Trade,
General Directorate of Imports)
Eskisehir Karayolu, Inonu Bulvari
06510 Emek, Ankara, Turkey

Tel: [90] (312) 212 8724

Fax: [90] (312) 212 8765

Activity: Information on Turkish import regulations and sets customs duties and surcharges
on imported products

Tel: [90] (312) 212-8742

Contacts: Mr. Kursad Tuzmen
Undersecretary of Foreign Trade

Fax: [90] (312) 212-1622

Mr. Abdullah Koten
Deputy Undersecretary

Tel: [90] (312) 212-8753

Fax: [90] (312) 212-8738

Ms. Samiye Aydar
Acting Director General of Imports

Tel: [90] (312) 212-8758

Fax: [90] (312) 212-8765

Mr. Aydin Karaoz
Director General,
Foreign Economic Relations

Tel: [90] (312) 213-6873

Fax: [90] (312) 212-8737

Mr. Arif Erden
Deputy Director General,
Foreign Economic Relations

Tel: [90] (312) 213-0297

Fax: [90] (312) 212-8737

Basbakanlik Ozellestirme Idaresi Baskanligi
(Prime Ministry, Privatization
Administration)
Huseyin Rahmi Gulpinar Sokak No. 2
06680 Cankaya, Ankara, Turkey
Activity: Privatization of state economic enterprises.

Tel: [90] (312) 441-1500

Fax: [90] (312) 440 3271

Contact: Mr. Ugur Bayar
President

Tel: [90] (312) 439-9916

Fax: [90] (312) 438-0652

Mr. Hakki Surel
Vice President, Telecommunications

Tel: [90] (312) 467-3970

Fax: [90] (312) 467-6356

Devlet Istatistik Enstitusu (DIE)
(State Institute of Statistics)

Tel: [90] (312) 417-6440

Fax: [90] (312) 417-0432

Necatibey Caddesi No. 114
06100 Ankara, Turkey
Activity: Responsible for all statistics.

Contact: Mr. Sefik Yildizeli
President

Tel: [90] (312) 418-8719
Fax: [90] (312) 425-3387
[90] (312) 418-1182

Turk Standartlari Enstitusu (TSE)
Standart Hazirlama Baskanligi
(Turkish Institute of Standards, Standards
Preparation Department)
Necatibey Caddesi No. 112
06100 Bakanliklar, Ankara, Turkey

Tel: [90] (312) 417-0020
Fax: [90] (312) 424-1216
www.tse.org.tr

Activity: A member of the International Standards Organization (ISO). TSE sets standards for all types of materials, products, and services in Turkey.

Contact: Mr. Sukru Durgut
President, Standards Preparation Dept.

Turk Patent Enstitusu Baskanligi
(Turkish Institute of Patents)
Izmir Caddesi No. 28
Kizilay, Ankara, Turkey
Activity: Promotes Turkish patents.

Tel: [90] (312) 232-5425
Fax: [90] (312) 230-0445
[90] (312) 232-5437
www.turkpatent.gov.tr

Contact: Mr. Yunus Lengeralli
President

TUBITAK-Turkiye Bilimsel ve Teknik
Arastirma Kurumu (The Scientific and
Technical Research Council of Turkey)
Ataturk Bulvari No. 221
06100 Kavaklidere, Ankara, Turkey

Tel: [90] (312) 468-5300
Fax: [90] (312) 427-7489
www.tubitak.gov.tr

Activity: Carries out scientific research and development in line with the development plans.

Contact: Mr. Namik Kemal Pak
President

Tel: [90] (312) 467-7798
Fax: [90] (312) 427-2672

IGEME-Ihracati Gelistirme Merkezi
(Export Promotion Center)
Mithatpasa Caddesi No. 60
Kizilay, Ankara, Turkey.

Tel: [90] (312) 417-2223
Fax: [90] (312) 417-2233
www.igeme.org.tr

Activity: Promotes Turkish exports. Publishes periodicals on Turkey's export products and producers. Prepares market research on specific industry sectors.

Contact: Mr. Haluk Ayhan
Secretary General and Deputy
Undersecretary for Foreign Trade

Tel: [90] (312) 212-8725
Fax: [90] (312) 212-8255

Ms. Beratiye Oncu
Asst. Secretary General

Tel: [90] (312) 425-0372
Fax: [90] (312) 425-7174

Transportation

Karayollari Genel Mudurlugu
(General Directorate of State Highways)
06350 Yucetepe Mahallesi, Ankara, Turkey
Activity: Responsible for construction of highways.

Tel: [90] (312) 415-7000
Fax: [90] (312) 417-2851
www.kgm.gov.tr

Contact: Mr. Dincer Yigit
Director General

Tel: [90] (312) 415-8821
Fax: [90] (312) 425-7308

Turk Hava Yollari Genel Mudurlugu (THY)
(General Directorate of Turkish Airlines)
Ataturk Havalimani, Yesilkoy
Istanbul, Turkey

Tel: [90] (212) 663-6300
Fax: [90] (212) 663-4744
www.turkish.airlines.com.tr

Activity: Turkish Airlines is Turkey's national airline. It is presently a public sector company scheduled for privatization in the near future. THY's fleet (71 aircraft) flies to all major cities in the country and abroad.

Contact: Mr. Yusuf Bolayirli
Director General

Tel: [90] (212) 663-6600 Ext. 01
Fax: [90] (212) 574-3420

Devlet Hava Meydanlari Isletmesi (DHMI)
(State Airports Administration)
Bahcelerarasi Caddesi
06330 Etiler, Ankara, Turkey

Tel: [90] (312) 212-6120
Fax: [90] (312) 212-5222
www.dhmi.gov.tr

Activity: In charge of construction and operation of state airports.

Contact: Mr. Mahmut Tekin
Director General

Tel: [90] (312) 215-2266
Fax: [90] (312) 212-5222

Devlet Demiryollari Genel Mudurlugu
(TCDD)
(General Directorate of State Railways
Administration)

Tel: [90] (312) 309-0515
Fax: [90] (312) 311-7634
www.tcdd.gov.tr

Istasyon, Ankara, Turkey

Activity: Responsible for contracting/construction of railways, railway stations and procurement of wagons and railway related products.

Contact: Mr. Vedat Bilgin
Director General

Tel: [90] (312) 311-3088
Fax: [90] (312) 312-3215

Travel and Tourism

Turizm Bakanligi
(Ministry of Tourism)
Inonu Bulvari No. 5
06100 Emek, Ankara, Turkey

Tel: [90] (312) 212-8300
Fax: [90] (312) 212-8590
www.turizm.gov.tr

Activity: Develops tourism projects and related incentive policies and regulations, issues “Tourism Establishment Certificates” to tourism operators and “Tourism Investment Certificates” to persons or organizations investing in specific projects in the tourism sector. Diversifies the tourism alternatives in Turkey, and pursues investments in winter resorts, thermal spas, yachting, golfing, and other special interest tourism.

Contact: Mr. Nevzat Saygilioglu
Undersecretary
Mr. M. Haluk Akar
Director General
General Directorate of Investments

Tel: [90] (312) 212-8355
Fax: [90] (312) 212-3199
Tel: [90] (312) 212-8385
Fax: [90] (312) 212-8397

Turkish Business/Trade Associations

DEIK-Dis Ekonomik Iliskiler Kurulu
(Foreign Economic Relations Board)
Istiklal Caddesi, 286/9
80050 Odakule, Beyoglu
Istanbul, Turkey

Tel: [90] (212) 243-4180
Fax: [90] (212) 243-4184
www.deik.org.tr

Activity: Its mandate is to promote improved external economic relations. DEIK is an excellent source of commercial information and contacts. DEIK promotes the establishment of bilateral business council in addition to the Turkish-American Business Council.

Contact: Ms. Cigdem Tuzun, Director

Ms. Basak Kusefoglu, Turkish-U.S.
Business Council, Regional Coordinator

EGEV-Ege Ekonomisini Gelistirme Vakfi
(Foundation for the Development of the
Aegean Region)

Tel: [90] (232) 463-4878
Fax: [90] (232) 421-2259
E-mail: egev@efes.net.tr

Cumhuriyet Bulvari, 1380 Sokak
Alyans Apt. No. 2/1, Kat 6, Daire 11
Alsancak, Izmir, Turkey.

Activity: Egev has 85 members including city administrators, the Chambers of Industry and Commerce, businessmen's associations and regional universities. Egev coordinates the groups listed above and promotes foreign investment in the region by supplying economic data, and organizing meetings and conferences

EGIAD-Ege Genc Isadamlari Dernegi
(Aegean Young Businessmen's Association)
Mustafa Kemal Sahil Bulvari
Levent Marina, Cakalburnu
Izmir, Turkey

Tel: [90] (232) 278-3030
Fax: (same number)
www.egiad.org.tr

Activity: The association is designed to attract both foreign business to the Izmir region and to act as a clearinghouse for opportunities.

Contact: Mr. Ziya Bese, Chairnan

ESIAD-Ege Sanayicileri ve Isadamlari
Dernegi
(Aegean Industrialists and Businessmen's
Assn.)
(TUSIAD's Izmir extension)
Cumhuriyet Meydani No. 12, Kat 6, D. 601
35210 Izmir, Turkey

Tel: [90] (232) 463-7827
Fax: [90] (232) 463-7693
www.esiad.org.tr

Activity: Esiad is comprised of senior industrialists in the region. Membership is voluntary. Esiad not only provides services to its members, but also promotes doing business in the Aegean region.

Contact: Mr. Deniz Taner, Chairman

TABA/AmCham - Turk-Amerikan
Isadamlari Dernegi
(Turkish-American Businessmen's
Association/
Turkish-American Chamber of Commerce)
Barbaros Bulvari, Eser Apt. 48/16, Kat: 5
80700 Balmumcu
Istanbul, Turkey

Tel: [90] (212) 274-2824
Fax: [90] (212) 275-9316
www.taba.org.tr

Activity: Its objective is to increase commercial activity between the United States and Turkey and promote the exchange of information and joint activities. TABA has been particularly active in promoting U.S.-Turkish trade with the Newly Independent States (NIS) in Central Asia, sponsoring several joint trade missions to the region.

Contact: Dr. Zeynel Abidin Erdem,
Chairman

TUSIAD-Turk Sanayicileri ve Isadamlari
Derneği (Turkish Industrialists' and
Businessmen's Association)
Mesrutiyet Caddesi No. 74
80050 Tepebasi, Istanbul, Turkey

Tel: [90] (212) 249-5448
[90] (212) 249-0723
Fax: [90] (212) 249- 1350
www.tusiad.org

Activity: Maintains research facilities and publishes an authoritative annual report on the Turkish economy. It counts the largest industrialists in Turkey among its members. It speaks out on behalf of its members and lobbies government officials, as well as international organizations.

Contact: Mr. Erkut Yucaoglu, Chairman

Union of Chambers of Commerce, Industry,
Maritime Commerce and Commodity
Exchanges
of Turkey (TOBB)
Ataturk Bulvari No. 149
06640 Bakanliklar, Ankara, Turkey

Tel: [90] (312) 418-4327
Fax: [90] (312) 417-9711
www.tobb.org.tr

Activity: Represents private sector firms and maintains investment promotion program to assist Turkish companies seeking to form joint ventures with foreign firms.

Contact: Ms. Fusun Karacasoy, Manager
Foreign Economic Relations Dept.

YASED-Yabancı Sermaye Koordinasyon
Derneği
(Assn. for Foreign Capital Coordination)
Barbaros Bulvari, Morbasan Sokak
Koza Is Merkezi B Blok/Kat 1
80700 Besiktas, Istanbul, Turkey

Tel: [90] (212) 272-5094
Fax: [90] (212) 274-6664
www.yased.org

Activity: YASED works to maintain a dialogue between foreign investors and the GOT on the investment environment and acts as a public relations firm advertising the positive effects of foreign investment.

Contact: Mr. Faruk Yoneyman, Chairman

Agriculture

Yem Sanayicileri Derneği
(Food Industrialists Association)
Tuna Caddesi, Halk Sokak 20/7

Tel: [90] (312) 431-1685
Fax: [90] (312) 431-2704

Yenisehir, Ankara, Turkey

Advertising

Reklamcilar Dernegi
(Advertising Firms' Association)
Yildiz Cicegi Sokak No. 19
80630 Etiler, Istanbul, Turkey

Tel: [90] (212) 257-8873
Fax: [90] (212) 257-8870

Automotive

Ithal Otomobilleri Turkiye Mumessilleri
Dernegi
(Imported Vehicles Turkey Representatives'
Association)
Barbaros Bulvari Bahar Sokak No. 4
Baraz Ishani Kat 3, Daire 6
Balmumcu, Istanbul, Turkey

Tel: [90] (212) 288-6184
Fax: [90] (212) 266-4409

ISOD-Otomotiv Sektoru Mensuplari
Dernegi
(Automotive Sector Member's Association)
Taksim Caddesi No. 119/5
Taksim, Istanbul, Turkey

Tel: [90] (212) 238-5472
Fax: [90] (212) 250-8905

OSD-Otomotiv Sanayii Dernegi
(Automotive Industry Association)
Atilla Sokak No. 8
81190 Altunizade, Istanbul, Turkey

Tel: [90] (216) 318-2994
Fax: [90] (216) 321-9497
E-mail: osd@org.tr
www.osd.or.tr

OYDER-Otomotiv Yetkili Saticilari
Dernegi
(Vehicle Sellers' Association)
Fahrettin Kerim Gokay Caddesi
Okul Sokak Altunizade Sitesi B Blok K: 4
D: 20
Altunizade, Uskudar
Istanbul, Turkey

Tel: [90] (216) 327-9229
Fax: [90] (216) 327-0044

TAYSAD Tasit Araclari Yan Sanayi
Dernegi
(Auto Parts Association)
Hilmipasa Caddesi No. 32/9-10
81090 Kozyatagi

Tel: [90] (216) 373-2275
Fax: [90] (216) 361-6284

Istanbul, Turkey

Chemicals

Kimya Sanayicileri Dernegi
(Chemical Manufacturers' Association)
Yildiz Posta Caddesi
Ayyildiz Sitesi No. 28/5, 55. Blok
Esentepe, Istanbul, Turkey

Tel: [90] (212) 266-0830
Fax: [90] (212) 273-0898

Contracting and Construction

Turkiye Muteahhitler Birligi
(Turkish Contractors Association/The Union
of International Contractors)
Ahmet Mithat Efendi Sokak No. 21
96550 Cankaya, Ankara, Turkey

Tel: [90] (312) 439-1712
Fax: [90] (312) 440-0253
www.tca.uic.org.tr

Turkiye Insaat ve Tesisat Muteahhitleri
Birligi (Assn. of Construction Contractors
of Turkey)
Ahmet Mithat Efendi Sokak 21/2
96550 Cankaya, Ankara, Turkey

Tel: [90] (312) 439-1712
Fax: [90] (312) 439-4621

Turkiye Prefabrike Betonarme Yapi Ureten
Kurulus Mensuplari Birligi
(Prefabricated Concrete Construction)
Mesrutiyet Caddesi, Alibey Apt. 29/18
06420 Kizilay, Ankara, Turkey

Tel: [90] (312) 418-4035
Fax: [90] (312) 417-1970

Toplu Konut Yapimcilari Dernegi
(Mass Housing Association)
Gazeteciler Sitesi, Yazarlar Sokak 28/3
80630 Esentepe, Istanbul, Turkey

Tel: [90] (212) 275-6695
Fax: [90] (212) 275-6696

Defense Industry

SASAD-Savunma Sanayii Imalatcilari
Dernegi
(Defense Industries Manufacturers' Assn.)
Paris Caddesi, Yazarlar Sokak 4/206
06680 Kavaklidere, Ankara, Turkey

Tel: [90] (312) 426-2255
Fax: [90] (312) 426-2256

Electronics

Tel: [90] (212) 266-0290

Fax: [90] (212) 272-4711

Elektronik Cihaz Imalatçılari Dernegi
(Electronic Equipment Manufacturers'
Assn.)

Yildiz, Barbaros Bulvari
Sahir Kesebir Sokak 34
80700 Besiktas, Istanbul, Turkey

Elektronik Sanayicileri Dernegi
(Electronic Industrialists Association)
Bagdat Caddesi No. 477/4
81070 Suadiye, Istanbul, Turkey

Tel: [90] (216) 386-0909

Fax: [90] (216) 386-0910

Environment and Pollution Control

Tel: [90] (212) 272-2904

Fax: [90] (212) 272-2904

Cevre Teknolojisi Uygulayicilari Dernegi
(Association of Practitioners of
Environmental Technology)
Irfan Bastug Caddesi, Yuva Apt. 3/10
80280 Gayrettepe, Istanbul, Turkey

Turkiye'nin Tabiatini Koruma Dernegi
(Assn. for Preservation of Turkey's Nature)
Kemeralti Caddesi, Vekilharc Sokak No. 16
Kadikoy, Istanbul, Turkey

Tel: [90] (216) 349-6602

Fax: [90] (216) 336-5212

Information Technology

Tel: [90] (212) 224-9593

Fax: [90] (212) 232-9262

TUBISAD-Turkiye Bilgi Islem Sanayicileri

Dernegi (Turkish Data-Processing
Industrialists Association)
Setat Is Merkezi 100/203, Kat 2
80260 Ferikoy, Istanbul, Turkey

Activity: Consists of Turkish computer manufacturing, marketing, software and computer related service companies

Turkiye Bilisim Dernegi

Tel: [90] (312) 425-2912

Fax: [90] (312) 425-4817

Mesrutiyet Caddesi Yakut Apt. 48/18

06420 Kocatepe, Ankara, Turkey

Activity: Association for Turkish computer firms; publishes monthly computer periodical.

Insurance

Tel: [90] (212) 275-8976

Fax: [90] (212) 275-9855

Turkiye Sigorta Sirketleri Birligi
(Turkish Insurance Firms' Association)
Balmumcu, Morbasan Sokak
Koza Is Merkezi, B Blok, Kat 3
Besiktas, Istanbul, Turkey

Medical and Health Care

Tel: [90] (212) 522-1911

Fax: [90] (212) 522-7374

Tabibler Odasi
(Chamber of Medical Doctors)
Turkocagi Caddesi 17, Kat 3
Cagaloglu, Istanbul, Turkey

Dis Hekimleri Birligi
(Turkish Dental Association)
Mesrutiyet Caddesi 32/8
Yenisehir, Ankara, Turkey

Tel: [90] (312) 417-7492

Fax: [90] (312) 417-1922

Mining and Minerals

Tel: [90] (212) 245-1503

Fax: [90] (212) 244-8335

Turkiye Madenciler Dernegi
(Turkish Miners' Association)
Istiklal Caddesi No. 471/1
Beyoglu, Istanbul, Turkey

Genc Madenciler Dernegi
(Young Miners Association)
4. Levent, Cinar Sokak No. 19
80620 Besiktas, Istanbul, Turkey

Tel: [90] (212) 264-6922

Fax: [90] (212) 264-2996

Packaging and Packing

Tel: [90] (212) 362-8155

Fax: [90] (212) 352-8156

Ambalaj Sanayicileri Dernegi
(Packaging Industrialists' Association)
Kozyatagi, Inonu Caddesi
STFA Bloklari Blok 3, Kat 8, Daire 35
81090 Kadikoy, Istanbul, Turkey

Karton, Ambalaj Sanayicileri Dernegi
(Carton/Paper Packaging Industrialists')

Tel: [90] (212) 267-4933

Fax: [90] (212) 267-1207

Assn)
23 Temmuz Meydani No. 1, Kat 2
80300 Esentepe, Istanbul, Turkey

Paper and Pulp

Tel: [90] (212) 266-9524
Fax: [90] (212) 266-9524

Seluloz ve Kagit Sanayicileri Vakfi
(Paper and Paper Pulp Industrialists' Foundation)
Buyukdere Caddesi No. 81
Kurgu Is Hani Kat 8, Daire 15
80300 Mecidiyekoy, Istanbul, Turkey

Tel: [90] (212) 274-2525
Fax: [90] (212) 272-4060

Textiles

Turkiye Giyim Sanayicileri Dernegi
(Turkish Clothing Manufacturers' Assn.)
Yildiz Posta Caddesi
Dedeman Is Hani 48/8
80700 Gayrettepe, Istanbul, Turkey

Tel: [90] (312) 441-5427
Fax: [90] (312) 441-5428

Travel and Tourism

BETUYAB-Belek Turizm Yatirimcilar
Birligi
(Union of Belek Tourism Investors)
Kuzgun Sokak No. 88/1
Ankara, Turkey

Activity: Represents approximately 25 facilities (including 5-star hotels and golf clubs) for the development of physical infrastructure in the major tourism are in Belek, Antalya. The union attracts a considerable flow of domestic and foreign investment to the area.

MARYAT-Marina Yatirimcilar ve
Isletmecileri
Dernegi (Association of Marina Investors
and Operators)
Turizm Bakanligi Sektor Temsilciligi
Inonu Bulvari 5
Emek, Ankara, Turkey

Tel: [90] (242) 814-1490
Fax: [90] (242) 814-1552
[90] (312) 212-2184

Activity: Association which represents the Ministry of Tourism in marina infrastructure projects and develops and/or supports marina investment and operation in Turkey.

TUROB-Turkiye Otelciler Birligi
(Union of Turkish Hotel Operators)
Mete Caddesi, Mete Palas 26/2

Tel: [90] (212) 249-5153
Fax: [90] (212) 252-1664

Taksim, Istanbul, Turkey

Activity: Turob keeps track of the latest information in international hotel and tourist resorts construction and contracting and disseminates it to its members. The union organizes and participates in international seminars, conferences, panels and lectures on the related topics and exchanges views with international organizations on matters regarding the hotel operation, establishes contacts with decision makers and related government departments.

TURSAB-Turkiye Seyahat Acentalari
Derneği
(Association of Turkish Travel Agencies)
Fulya Asik Kerem Sokak No. 48/50
Dikilitas Mahallesi, Besiktas
Istanbul, Turkey

Tel: [90] (212) 259-8404

Fax: [90] (212) 259-0656

www.tursab.org.tr

Activity: Prepares and submits reports to concerned public authorities reflecting its members opinion and observations on matters related to the travel industry. The association also provides technical counsel in the determination of general policies concerning the tourism and travel industry sector. Tursab strengthens professional solidarity among travel agencies and leads the sector in publishing.

TYD-Turizm Yatirimcileri Derneği
(Tourism Investors Association)
Cumhuriyet Caddesi, Celik Apt. 235, Kat 3
80230 Elmadag, Istanbul, Turkey

Tel: [90] (212) 279-0365

Fax: [90] (212) 279-8894

E-mail: tyd@iris.com.tr

Activity: TYD is an independent organization established by the principal tourism investors in Turkey. The goal is to bring together people and companies investing in Turkey and provide assistance for their present and future plans, programs and enterprises, which extend and strengthen the Turkish tourism.

Chambers of Commerce in the Three
Largest Cities in Turkey

Tel: [90] (312) 418-3360

Fax: [90] (312) 418-3268 www.tobb.org.tr

Union of Chambers of Commerce, Industry,
Maritime Commerce and Commodity
Exchanges
of Turkey (TOBB)

Ataturk Bulvari No. 149

06640 Bakanliklar, Ankara, Turkey

Activity: TOBB acts as the main office for various chambers located in different cities

Contact: Mr. Fuat Miras, Chairman

Ankara Chamber of Commerce
Eskisehir Yolu, Sogutozu

Tel: [90] (312) 286-4036

Fax: [90] (312) 286-3446

Ankara, Turkey

Contact: Mr. Sinan Aydin Aygun, Chairman

Ankara Chamber of Industry
Ataturk Bulvari 193/4
Kavaklidere, Ankara, Turkey

Tel: [90] (312) 417-1200
Fax: [90] (312) 417-2060
www.aso.org.tr

Contact: Mr. Zafer Caglayan, Chairman

Istanbul Chamber of Commerce
Ragip Gumuspala Caddesi No. 84
34378 Eminonu, Istanbul, Turkey

Tel: [90] (212) 511-4150
Fax: [90] (212) 526-2197
www.ito.org.tr

Contact: Mr. Mehmet Yildirim, Chairman

Istanbul Chamber of Industry
Mesrutiyet Caddesi 118
80050 Tepebasi, Istanbul, Turkey

Tel: [90] (212) 252-2900
Fax: [90] (212) 249-3963
www.iso.org.tr

Contact: Mr. Husamettin Kavi, Chairman

Deniz Ticaret Odasi
(Chamber of Maritime Commerce)
Meclisi Mebusan Caddesi No. 22
80154 Sali Pazari
Istanbul, Turkey

Tel: [90] (212) 252-0130
Fax: [90] (212) 293-7935
www.chamber-of-shipping.org.tr

Contact: Mr. Cengiz Kaptanoglu, Chairman

Izmir Chamber of Commerce
Ataturk Caddesi No. 126
35210 Pasaport, Izmir, Turkey

Tel: [90] (232) 441-7777
Fax: [90] (232) 483-7853
www.izto.org.tr

Contact: Mr. Ekrem Demirtas, Chairman

Aegean Chamber of Industry
Cumhuriyet Bulvari No. 63
Izmir, Turkey

Tel: [90] (232) 484-4330
Fax: [90] (312) 483-9937
www.ebso.com.tr

Contact: Mr. Atil Akkan, Chairman

Market Research Firms

Tel: [90] (212) 231-0481
Fax: [90] (212) 231-6614

IBS-International Business Services A.S.
Abdi Ipekci Caddesi, Kizilkaya Apt. 59/4
80200 Macka, Istanbul, Turkey

Contact: Mr. David Tonge, General
Manager

Arjantin Caddesi No. 17/6
06700 Kavaklıdere, Ankara, Turkey

Tel: [90] (312) 468-4081
Fax: [90] (312) 468-4291

Contact: Mr. Sedat Tasdemir, Manager

Arthur Andersen & Co.
Deloitte & Touche Turkey
Denet Mali Danismanlik A.S.
Buyukdere Cad. Yapi Kredi Plaza B Blok
Kat 5
80620 Levent, Istanbul, Turkey

Tel: [90] (212) 283-1585
Fax: [90] (212) 283-1937

Contact: Mr. Levent Yaveroglu, Chairman

Major Commercial Banks

Tel: [90] (212) 288-7700
Fax: [99] (212) 288-7768
www.citibank.com

Citibank, N.A.
Buyukdere Cad. Maya Is Merkezi 100
80280 Esentepe, Istanbul, Turkey

Contact: Mr. Sabastian Paredes, General
Manager

Koc Bank
Ataturk Bulvari No. 78
Kizilay, Ankara, Turkey

Tel: [90] (312) 418-1804
Fax: [90] (312) 425-3237
www.kocbank.com.tr

Contact: Mr. Engin Akcakoca, General
Manager

Turkiye Is Bankasi A.S.
Ataturk Bulvari No. 191
06680 Kavaklıdere, Ankara, Turkey

Tel: [90] (312) 413-9900
Fax: [90] (312) 413-9090
www.isbank.net.tr

Contact: Mr. Ersin Ozinci, General Manager

Yapi ve Kredi Bankasi A.S.
Yapi Kredi Plaza A Blok
Buyukdere Caddesi
80620 Levent, Istanbul, Turkey

Tel: [90] (212) 339-7000
Fax: [90] (212) 339-6000
www.superonline.com

Contact: Mr. Alp Naci Sigin, General
Manager

Akbank T.A.S.
Sabanci Center, 4. Levent
80745 Istanbul, Turkey

Tel: [90] (212) 270-2626
Fax: [90] (212) 269-7383

Contact: Mr. Ozen Goksel, General
Manager

T.C. Ziraat Bankasi
Gazi Mustafa Kemal Bulvari
Sihhiye, Ankara, Turkey

Tel: [90] (312) 310-3747
[90] (312) 310-3750
Fax: [90] (312) 310-1134

Contact: Mr. Osman Tunaboylu, Governor

Turkiye Garanti Bankasi A.S.
Buyukdere Caddesi No. 63
80670 Maslak, Istanbul, Turkey

Tel: [90] (212) 285-4040
Fax: [90] (212) 285-4040
www.garanti.com.tr

Contact: Mr. Ergun Ozen, General Manager

Iktisat Bankasi T.A.S.
Buyukdere Caddesi No. 165
80504 Esentepe, Istanbul, Turkey

Tel: [90] (212) 274-1111
Fax: [90] (212) 274-7028
www.iktisatbank.com.tr

Contact: Mr. Tanju Oguz, General Manager

Turk Ticaret Bankasi A.S.
Yildiz Posta Caddesi No. 2
80280 Gayrettepe, Istanbul, Turkey

Tel: [90] (212) 288-5900
Fax: [90] (212) 288-6113

Contact: Mr. Zafer Kulturlu, General
Manager

APPENDIX F: MARKET RESEARCH

FY 2000 Industry Sector Analyses

Earthquake Retrofitting and Construction
Software
Automotive Transmission Parts
Stationery & School Supplies
Heating Ventilation and Air Conditioning Equipment
Civil Aviation
Turkish Tourism Infrastructure
Value Added Telecommunications Services
Construction and Building Materials
Coal Mining

FY 2001 Industry Sector Analyses

Travel and Tourism – Visit USA Market
Internet Security
Auto Parts and Service Equipment
Medical Devices
Franchising
Energy Services
Pollution Control Equipment

A complete list of market research is available on the NTDB.

APPENDIX G: TRADE EVENT SCHEDULE

The classical “horizontal” trade fair, e.g., the Izmir Fair, which hosted a U.S. Pavilion for years, has lost popularity with the business public in Turkey, as elsewhere. Turkey now hosts a wide variety of “vertical” trade fairs devoted to particular industry sectors. A list of these events would be too lengthy to include in this document. For a full listing, contact USFCS Turkey for recommendations and contact points for appropriate trade shows, or visit our website at: www.csturkey.com.

The U.S. Department of Commerce periodically organizes trade missions for different industry sectors and catalog shows. These events have proved to be very efficient means of securing agents and/or distributors in Turkey for U.S. suppliers. We suggest that interested companies contact their nearest Export Assistance Center or visit our website for details of future trade missions.